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DAYLIGHT RESOURCES TRUST REPORTS YEAR END 2007 FINANCIAL AND OPERATING RESULTS – POSITIVE MOMENTUM CONTINUES

MESSAGE TO UNITHOLDERS

Daylight Resources Trust ("Daylight" or the "Trust") is pleased to report financial and operating results for the three months and year ended December 31, 2007 ("Q4 2007" and "2007" respectively).

Daylight continues to build on positive financial and operating momentum established during the third quarter of 2007. Growth in production and improved netbacks have contributed to an increase in per unit funds from operations and a significant reduction in our payout ratio.

DAYLIGHT RESOURCES TRUST – HIGHLIGHTS

Production Increases

- Q4 2007 production up 5% from Q3 2007 to average 20,583 boe per day
- 2007 production is up 17% to 20,461 boe per day compared to 2006

Funds from Operations Increases

- Q4 2007 funds from operations up 18% from Q3 2007 to \$47.5 million
- 2007 funds from operations up 17% to \$165.9 million compared to 2006

Operating Netback Increases

- Q4 2007 operating netback up 11% from Q3 2007 to \$30.59 per boe
- 2007 operating netback up 5% to \$27.37 per boe compared to 2006

Payout Ratio Improves

- Q4 2007 payout ratio improves to 49% from 67% during Q3 2007
- 2007 payout ratio improves to 72% compared to 83% in 2006

Balance Sheet and Financial Flexibility Improves

- Convertible debenture issuance and increased funds from operations improves financial flexibility
- Q4 2007 bank debt reduced to \$257 million versus \$363 million at the end of Q3 2007

Successful Capital Program

- 2007 capital spending of \$96.4 million as strong financial performance affords opportunity to accelerate production optimization activities and capture working interest additions in key drilling areas
- In total, Daylight drilled 44 gross (27.3 net) wells with a 100% drilling success rate during 2007

Finding Costs

- 2007 Total Proved F&D Costs excluding Future Development Capital ("FDC") were \$15.97 per boe compared to the three year weighted average of \$15.77 per boe. Including FDC, 2007 Total Proved F&D Costs were \$21.40 per boe compared to the three year weighted average of \$17.49 per boe
- 2007 Total Proved Plus Probable F&D Costs excluding FDC were \$15.47 per boe compared to the three year weighted average \$15.22 per boe. Including FDC, 2007 Total Proved Plus Probable F&D Costs were \$22.78 per boe compared to the three year weighted average of \$17.95 per boe

FOURTH QUARTER AND FULL YEAR FINANCIAL AND OPERATIONAL RESULTS

Financial (CDN\$ thousands, except unit, per unit and operational data)	Q4 2007	Q3 2007	Q4 2006	Year ended 2007	December 31 2006
Petroleum and natural gas revenues	\$ 99,718	\$ 82,557	\$ 92,715	\$ 366,956	\$ 297,333
Operating netback	57,919	49,746	52,172	204,433	166,163
Funds from operations	47,479	40,343	43,274	165,929	141,725
Per unit					
– Basic	0.61	0.52	0.59	2.16	2.80
– Diluted	0.54	0.52	0.59	2.10	2.71
Cash distributions declared	23,296	27,006	43,008	118,891	127,922
Per unit	0.30	0.35	0.59	1.55	2.47
Payout ratio	49%	67%	99%	72%	n/a ⁽¹⁾
Capital expenditures	29,089	33,727	49,761	96,380	125,531
Units outstanding (000s)					
Basic	77,657	77,475	74,322	77,657	74,322
Diluted	93,850	78,983	75,309	93,850	75,309
<hr/>					
Operational					
Average daily production					
Natural gas (mcf/d)	71,187	69,143	80,991	73,279	63,648
Light oil (bbls/d)	4,964	4,565	4,455	4,526	3,269
Heavy oil (bbls/d)	2,488	2,382	2,796	2,447	2,709
NGLs (bbls/d)	1,266	1,129	1,449	1,275	908
Oil & NGLs (bbls/d)	8,718	8,076	8,700	8,248	6,886
Combined (boe/d)	20,583	19,600	22,199	20,461	17,494
Average prices received					
Natural gas (\$/mcf)	\$ 6.45	\$ 5.33	\$ 6.75	\$ 6.61	\$ 6.61
Light oil (\$/bbl)	81.84	73.87	60.07	71.54	67.15
Heavy oil (\$/bbl)	53.50	51.97	39.59	48.52	44.24
NGLs (\$/bbl)	64.99	59.90	49.53	57.99	58.09
Oil & NGLs (\$/bbl)	\$ 71.31	\$ 65.46	\$ 51.73	\$ 62.62	\$ 56.94
Combined (\$/boe)	\$ 52.66	\$ 45.79	\$ 45.40	\$ 49.14	\$ 46.57
Petroleum and natural gas revenues (\$/boe)	\$ 52.66	\$ 45.79	\$ 45.40	\$ 49.14	\$ 46.57
Royalties (\$/boe)	(9.96)	(8.02)	(8.54)	(9.07)	(8.97)
Realized gain (loss) on commodity derivatives (\$/boe)	1.13	2.84	0.04	0.93	(0.01)
Operating expenses (\$/boe)	(12.18)	(11.95)	(10.44)	(12.57)	(10.55)
Transportation (\$/boe)	(1.07)	(1.06)	(0.92)	(1.05)	(1.02)
Operating netback (\$/boe)	\$ 30.59	\$ 27.59	\$ 25.55	\$ 27.37	\$ 26.02
G&A – cash charge (\$/boe)	(1.97)	(1.97)	(2.12)	(2.04)	(2.06)
Cash financial charges (\$/boe)	(3.55)	(3.24)	(2.21)	(3.12)	(1.75)
Cash taxes (\$/boe)	-	-	(0.03)	-	(0.01)
Funds from operations (\$/boe)	\$ 25.07	\$ 22.38	\$ 21.19	\$ 22.21	\$ 22.20

Per boe amounts many not add exactly due to rounding

⁽¹⁾ On a proforma basis, if the Sequoia acquisition had been completed on September 1, 2006, the payout ratio would have been 83% for 2006.

Production Highlights

- Daylight attained production of 20,583 boe per day for Q4 2007 and 20,461 boe per day for 2007.
- Q4 2007 production volumes increased due to the addition of new well production from our successful capital program and the completion of plant turnaround activities during Q3 2007.

Funds from Operations

- Funds from operations reached \$47.5 million for Q4 2007 and \$165.9 million for 2007.
- Increased funds from operations for the quarter were attributable to increased production, higher commodity prices and hedging gains more than offsetting increased royalties.
- Average price received for natural gas improved to \$6.45/mcf for Q4 2007, a 21% increase over Q3 2007. Natural gas price for 2007 matched the 2006 price of \$6.61/mcf.
- Average price received for light oil improved to \$81.84/bbl for Q4 2007, an 11% increase over Q3 2007. Light oil price for 2007 was \$71.54/bbl, a 7% increase over 2006.
- Improvements were also seen in the prices for heavy oil and NGL's, resulting in an improvement in overall combined product price of \$52.66/boe for Q4 2007 versus Q3 2007 price of \$45.79/boe and \$49.14/boe for 2007 versus \$46.57/boe for 2006.

Operating Netback

- Operating netback increased to \$30.59/boe for Q4 2007 compared to \$27.59/boe for Q3 2007. Netback also improved for 2007 to \$27.37/boe from \$26.02/boe for 2006.
- Operating expenses increased slightly to \$12.18/boe for Q4 2007 from \$11.95/boe for Q3 2007. Operating expenses for 2007 increased to \$12.57/boe versus \$10.55/boe for 2006.
- Taking into account approximately \$0.62/boe of non recurring prior period operating costs charged to the Trust in 2007, Daylight expects operating costs to return to approximately \$12.00/boe for 2008.
- Overall royalty rates increased to 18.9% of revenue in Q4 2007 from 17.5% of revenue in Q3 2007. Year over year, total royalty rates decreased to 18.5% of revenue for 2007 from 19.3% in 2006, due primarily to increased Gas Cost Allowance credits.

Payout Ratio

- Payout ratio improved to 49% in Q4 2007 from 67% in Q3 2006.
- Continued improvement in Daylight's payout ratio is attributable to increases in both production and operating netbacks, resulting in higher funds from operations.

Balance Sheet and Financial Flexibility

- Funds from closing of our \$125 million convertible debenture issuance during Q4 2007 were used to reduce bank indebtedness and improve financial flexibility.
- At December 31, 2007, Daylight had \$257 million outstanding on its credit facilities which provide up to \$300 million available under a revolving term credit facility with a syndicate of banks. Our term credit facility is subject to semi-annual review by the banking syndicate. The next regularly scheduled review date is May 31, 2008.
- Daylight has recognized a net loss for Q4 2007 and Q4 2006 as well as for the years ended December 31, 2007 and 2006 due to write downs of goodwill. As at December 31, 2007 Daylight has no remaining goodwill recorded on the balance sheet. Despite the recognized loss there has been no impairment to the value of Daylight's petroleum and natural gas assets and no write down to petroleum and natural gas assets has been recorded in any period. Although the overall fair value of the reporting unit was less than the carrying value, resulting in the requirement to assess the goodwill balance for impairment, it was ultimately the strength in our petroleum and natural gas reserves fair value, which is not reflected in these financial statements, that resulted in the need to write-down the goodwill balance at year-end.

Capital Spending

- Capital spending was \$29.1 million during the final quarter of the year for a total expenditure in 2007 of \$96.4 million. During 2007, Daylight drilled 44 gross (27.3 net) wells with a 100% drilling success rate during 2007.
- Several strategic opportunities arose during the quarter, which increased capital spending, and allowed the Trust to consolidate our position in two key drilling areas. Minor acquisitions of land, reserves and production were accomplished in both Elmworth and Sylvan Lake, increasing the Trust's working interest position in both areas. In addition, the Trust advanced certain optimization projects to enhance overall production as we exited 2007. This production acceleration was afforded by the strong financial performance of the Trust in the fourth quarter.
- In Cecil, the Trust accelerated the drilling of an additional well as part of our successful light oil development project.
- In addition, the previously mentioned repair work to a pipeline in our Sturgeon Lake property, proactively identified during our routine preventative maintenance program, required unanticipated capital spending and prevented any negative environmental impact. The Trust took this opportunity to advance a planned maintenance turnaround of the battery at Sturgeon that added to the increased capital in the quarter but will result in reduced downtime and capital in the area during 2008.

Reserves and Finding Costs

- Total Proved Reserves at December 31, 2007 are 46.3 mmboe and Total Proved Plus Probable Reserves are 64.2 mmboe. These compare to reserves at December 31, 2006 of 47.7 mmboe Total Proved Reserves, a decrease of 3% and 65.4 mmboe Total Proved Plus Probable Reserves, a decrease of 2%. Reserve additions were primarily focused on our successful drilling programs in Cecil, Elmworth and Wildmere, partially offset by negative revisions at Windfall and minor changes at several other properties.
- Finding and Development Costs ("F&D") on a Total Proved basis were \$15.97/boe excluding Future Development Capital ("FDC") and \$21.40/boe including FDC. F&D Costs on a Total Proved Plus Probable basis were \$15.47/boe excluding FDC and \$22.78/boe including FDC.

2008 OUTLOOK

Capital Expenditures and Farmouts

- 2008 capital expenditure budget of \$85 million to be invested in our inventory of repeatable, low risk exploitation projects.

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- During Q3 2007 Daylight negotiated a farmout of certain exploratory lands at the Obed, Medicine Lodge, Oldman and Fir properties within West Central Alberta, to a leading industry partner. The farmout commitment is to drill and complete at least seven wells to approximately 3,200 meters by March 31, 2008, at an estimated gross cost of approximately \$25 million. Under the terms of the agreement Daylight will retain 40% of its original interest in each well at no cash cost.
- To the end of 2007, the farmee had successfully drilled 2 wells and sufficient drilling operations are underway for the Trust to be confident that the entire drilling commitment will be satisfied on schedule.
- Activity continues on additional farmouts on Daylight properties, expected to add additional gross capital spending of \$20 million by industry participants.

Production Guidance

- Daylight's assets are expected to deliver 20,000 to 20,500 boe per day for 2008.
- Production is expected to be weighted 43% to oil and natural gas liquids and 57% to natural gas.
- Production was temporarily reduced in the Cecil light oil property due to delays in receiving approval for Good Production Practices from the provincial regulator. This approval is anticipated to be received late in the first quarter of 2008, thereby restoring area production.

Balance Sheet and Financial Flexibility

- Continued low payout ratio is forecast based on continued solid production and strong commodity prices.
- Bank facility capacity allows financial flexibility to pursue strategic opportunities.
- Daylight continues to target a low payout ratio and the full funding of distributions and capital expenditures with funds from operations. Distributions, as previously announced, will be maintained at \$0.10/unit through Q1 2008.
- Daylight has hedged 68% of our budgeted summer (April 1, 2008 to October 31, 2008) natural gas production volumes at an average fixed price at AECO of \$7.15/mcf to ensure stable funds from operations during this period.

Tax Pools and Safe Harbour

- Daylight and its subsidiaries have tax pools of over \$814 million at December 31, 2007 that are available to shelter significant cash flow from income tax beyond 2011.
- Current safe harbour capacity for the issuance of \$700 million of new equity provides significant flexibility to execute on strategic opportunities.

Daylight's high-end technical team integrates our exploitation, reservoir engineering, production optimization, geological and geophysical expertise to identify and capture reserves and production for the delivery of long term value creation to our Unitholders. Our team has developed a multi-year inventory of repeatable, low risk exploitation projects with significant potential reserve additions on assets we own and control. This inventory includes significant near term prospects and medium to long term opportunities across our high quality asset base.

With recent strength in commodity prices and continued strong results, both operationally and financially, Daylight expects that our payout ratio will continue to improve into 2008. This provides the Trust with additional financial flexibility to execute on our capital plan and take advantage of strategic opportunities as they arise.

Signed:

"Anthony Lambert"

Anthony Lambert
President & CEO
March 4, 2008

DAYLIGHT RESOURCES TRUST

RESERVE HIGHLIGHTS

Reserves are based on an independent reserves evaluation conducted by GLJ Petroleum Consultants Ltd. ("GLJ") effective December 31, 2007 and prepared in accordance with NI 51-101.

- Total Proved Reserves at December 31, 2007 are 46.3 mmboe and Total Proved Plus Probable Reserves are 64.2 mmboe. These compare to reserves at December 31, 2006 of 47.7 mmboe Total Proved Reserves, a decrease of 3% and 65.4 mmboe Total Proved Plus Probable Reserves a decrease of 2%.
- Reserve additions were primarily focused on our successful drilling programs in Cecil, Elmworth and Wildmere, partially offset by negative revisions at Windfall and minor changes at several other properties.
- Daylight's proved plus probable RLI was 8.5 years at the end of 2007 while the proved RLI was 6.2 years based upon GLJ reserves and Daylight's Q4 2007 production of 20,583 boe per day, an increase from the 2006 proved plus probable RLI of 8.1.
- Net present value ("NPV") of total proved plus probable reserves sustained value of \$1,118 million at the end of 2007 versus \$1,114 million at the end of 2006, discounted at 8% and before income taxes.
- Recycle ratio of 2.0x based on total proved plus probable F&D cost (excluding FDC) and 1.3x (including FDC), based on our Q4 2007 operating netback of \$30.59/boe.

RESERVE INFORMATION

Reserves included herein are stated on a company interest basis (before royalty burdens and including royalty interests) unless noted otherwise. All reserves information has been prepared in accordance with National Instrument ("NI") 51-101. This report contains several cautionary statements that are specifically required by NI 51-101. In addition to the detailed information disclosed in this press release more detailed information on a net interest basis (after royalty burdens and including royalty interests) and on a gross interest basis (before royalty burdens and excluding royalty interests) will be included in Daylight's Annual Information Form ("AIF") which will be available on www.sedar.com.

Based on an independent reserves evaluation conducted by GLJ Petroleum Consultants Ltd. ("GLJ") effective December 31, 2007 and prepared in accordance with NI 51-101, Daylight had proved plus probable reserves of 64.2 mmboe. Proved plus probable reserve additions from exploration and development activities (including revisions) were 6.2 mmboe. This represents 83% of the 7.5 mmboe produced during 2007. As a result, year-end 2007 proved plus probable reserves are 2% lower than the 65.4 mmboe of reserves recorded at year-end 2006.

Proved developed producing reserves represent 60% of proved plus probable reserves while total proved reserves account for 72% of proved plus probable reserves. Approximately 45% of Daylight's proved plus probable reserves are crude oil and natural gas liquids while 55% are natural gas on a boe basis.

TOTAL COMPANY INTEREST

	Light and Medium Crude Oil	Heavy Crude Oil	Total Crude Oil	Natural Gas Liquids	Natural Gas	Oil Equivalent
	(mbbl)	(mbbl)	(mbbl)	(mbbl)	(mmcf)	(mboe)
Proved						
Developed Producing	6,833	7,992	14,825	2,149	130,399	38,707
Developed Non-Producing	182	46	228	127	6,776	1,484
Undeveloped	1,443	1,380	2,823	238	18,285	6,108
Total Proved	8,457	9,418	17,875	2,514	155,460	46,298
Probable	4,448	3,262	7,710	819	56,128	17,884
Proved plus Probable	12,905	12,680	25,585	3,333	211,588	64,183

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NET INTEREST

	Light and Medium Crude Oil (mbbl)	Heavy Crude Oil (mbbl)	Total Crude Oil (mbbl)	Natural Gas Liquids (mbbl)	Natural Gas (mmcf)	Oil Equivalent (mboe)
Proved						
Producing	5,682	7,076	12,758	1,425	102,793	31,315
Developed Non-Producing	175	35	210	84	5,349	1,185
Undeveloped	1,223	1,125	2,348	163	14,674	4,956
Total Proved	7,080	8,236	15,316	1,672	122,816	37,457
Probable	3,685	2,791	6,476	543	44,874	14,498
Proved plus Probable	10,765	11,026	21,791	2,215	167,691	51,954

Notes:

1. Boe's may be misleading, particularly if used in isolation. In accordance with NI 51-101, a boe conversion ratio for natural gas of 6 Mcf. 1 bbl has been used which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
2. Numbers may not add due to rounding.

RESERVES RECONCILIATIONS

	Total Crude Oil (mbbl)	Natural Gas Liquids (mbbl)	Natural Gas (mmcf)	Oil Equivalent (mboe)
Proved Producing				
December 31, 2006	15,460	2,298	134,420	40,161
Exploration Discoveries	-	9	2,160	369
Drilling Extensions	275	108	6,624	1,487
Improved Recovery	192	16	2,705	659
Infill Drilling	591	2	3,199	1,126
Technical Revisions	883	174	7,513	2,309
Acquisitions	14	9	1,851	332
Dispositions	(45)	(2)	(1,326)	(268)
Production	(2,545)	(465)	(26,747)	(7,468)
December 31, 2007	14,825	2,149	130,399	38,707

	Total Crude Oil (mbbl)	Natural Gas Liquids (mbbl)	Natural Gas (mmcf)	Oil Equivalent (mboe)
Total Proved				
December 31, 2006	19,395	2,734	153,617	47,732
Exploration Discoveries	-	-	428	71
Drilling Extensions	236	152	10,901	2,205
Improved Recovery	128	14	429	213
Infill Drilling	639	6	10,618	2,415
Technical Revisions	53	68	6,202	1,153
Acquisitions	14	9	1,851	332
Dispositions	(45)	(4)	(1,839)	(355)
Production	(2,545)	(465)	(26,747)	(7,468)
December 31, 2007	17,875	2,514	155,460	46,298

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	Total Crude Oil (mbbl)	Natural Gas Liquids (mbbl)	Natural Gas (mmcf)	Oil Equivalent (mboe)
Total Proved Plus Probable				
December 31, 2006	27,436	3,701	205,703	65,420
Exploration Discoveries	-	-	518	86
Drilling Extensions	234	189	15,414	2,992
Improved Recovery	171	14	440	258
Infill Drilling	773	9	15,603	3,382
Technical Revisions	(430)	(121)	904	(398)
Acquisitions	15	11	2,188	391
Dispositions	(69)	(5)	(2,435)	(480)
Production	(2,545)	(465)	(26,747)	(7,468)
December 31, 2007	25,585	3,333	211,588	64,183

RESERVE LIFE INDEX ("RLI")

Daylight's proved plus probable RLI was 8.5 years at the end of 2007 while the proved RLI was 6.2 years based upon GLJ reserves and Daylight's Q4 2007 production of 20,583 boe per day.

NET PRESENT VALUE ("NPV") SUMMARY

Daylight's crude oil, natural gas and natural gas liquids reserves were evaluated using GLJ's product price forecasts effective January 1, 2008 prior to provision for income taxes, interest, debt service charges and general and administrative expenses. It should not be assumed that the discounted future net production revenues estimated by GLJ represent the fair market value of the reserves.

NPV of Cash Flow Using GLJ January 1, 2008 Forecast Prices and Costs

NI 51-101 Net Interest (\$,000)	0%	5%	8%	10%	12%
Proved					
Developed Producing	1,092,723	874,144	785,836	738,012	696,817
Developed Non-Producing	34,171	25,993	22,458	20,498	18,789
Undeveloped	124,209	78,825	62,512	54,043	46,935
Total Proved	1,251,103	978,961	870,806	812,552	762,541
Probable	524,915	313,351	246,855	214,718	189,055
Proved plus Probable	1,776,018	1,292,313	1,117,661	1,027,271	951,596

At an 8% discount factor, the proved producing reserves make up 70% of the proved plus probable value while total proved reserves account for 78% of the proved plus probable value. GLJ's price forecast utilized in the evaluation is summarized below.

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GLJ January 1, 2008 Price Forecast

Year	West Texas Intermediate Crude Oil (\$US/bbl)	Edmonton Light Crude Oil (\$Cdn/bbl)	Natural Gas at AECO (\$Cdn/MMBtu)	Foreign Exchange (\$US/\$Cdn)
2008	92.00	91.10	6.75	1.00
2009	88.00	87.10	7.55	1.00
2010	84.00	83.10	7.60	1.00
2011	82.00	81.10	7.60	1.00
2012	82.00	81.10	7.60	1.00
2013	82.00	81.10	7.60	1.00
2014	82.00	81.10	7.80	1.00
2015	82.00	81.10	7.97	1.00
2016	82.02	81.12	8.14	1.00
2017	83.66	82.76	8.31	1.00
2018	85.33	84.42	8.48	1.00
Escalate thereafter at	+2.0%/yr	+2.0%/yr	+2.0%/yr	0%/yr

NET ASSET VALUE ("NAV") SUMMARY

The following NAV table shows what is normally referred to as a "produced-out" NAV calculation under which the current value of the Trust's reserves would be produced at forecast future prices and costs. The value is a snapshot in time and is based on various assumptions including commodity prices and foreign exchange rates that vary over time.

Net Asset Value (\$,000)	2007
Proved plus Probable NI 51 - 101 discounted at 8%	1,117,661
Undeveloped Land, Seismic and Other Assets (internal estimate)	58,978
Investments	13,068
Bank Debt	(257,342)
Convertible Debentures (face value)	(128,576)
Working Capital Deficiency	(32,088)
Net Asset Value – Basic	771,701
Basic Units Outstanding (,000)	77,657
Net Asset Value – Basic	\$9.94

FUTURE DEVELOPMENT CAPITAL ("FDC")

NI 51-101 requires that FD&A costs be calculated including changes in FDC. Changes in forecast FDC occur annually as a result of development activities, acquisition and disposition activities and capital cost estimates that reflect the independent evaluator's best estimate of what it will cost to bring the proved undeveloped and probable reserves on production.

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FINDING AND DEVELOPMENT COSTS ("F&D") – COMPANY INTEREST RESERVES¹

During 2007 Daylight spent \$96.4 million on its internal capital program which added 6.0 mmboe of proved and 6.2 mmboe of proved plus probable reserves, including revisions. Daylight's internal capital program replaced 83% of its 2007 production on a proved plus probable basis. In total, Daylight drilled 44 gross (27.3 net) wells with a 100% drilling success rate.

	Proved	Proved plus Probable
F&D Costs Excluding Future Development Capital		
Exploration and Development Capital Expenditures - \$,000	96,380	96,380
Exploration and Development Reserve Additions Including Revisions - mboe	6,034	6,231
Finding and Development Cost - \$ per boe	15.97	15.47
F&D Costs Including Future Development Capital		
Exploration and Development Capital Expenditures - \$,000	96,380	96,380
Exploration and Development Change in FDC - \$,000	32,741	45,584
Exploration and Development Capital including change in FDC - \$,000	129,121	141,964
Exploration and Development Reserve Additions including Revisions - mboe	6,034	6,231
Finding and Development Cost - \$ per boe	21.40	22.78

FDC (\$,000)	Proved	Proved plus Probable
December 31, 2006	56,196	105,578
Exploration & development changes in period	32,741	45,584
December 31, 2007	88,937	151,162

Daylight's proved plus probable F&D costs for 2007 were \$15.47 per boe excluding FDC and \$22.78 including FDC. On a proved basis, Daylight's F&D costs were \$15.97 per boe excluding FDC and \$21.40 including FDC.

\$ per boe	2005	2006	2007	3 year
F&D Costs Excluding Future Development Capital				
Proved	16.70	14.97	15.97	15.77
Proved plus Probable	15.02	15.35	15.47	15.22
F&D Costs Including Future Development Capital				
Proved	15.82	14.93	21.40	17.49
Proved plus Probable	16.84	14.12	22.78	17.95

¹ In all cases, the F&D number is calculated by dividing the identified capital expenditures by the applicable reserves additions. Boe's may be misleading, particularly if used in isolation. In accordance with NI 51-101, a boe conversion ratio for natural gas of 6 Mcf: 1 bbl has been used which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

DAYLIGHT RESOURCES TRUST

RESERVE REPLACEMENT

Daylight's 2007 FD&A activities replaced 83% of production on a proved plus probable basis, 81% on a proved basis and 81% on a proved producing basis.

	2007
Production - mboe	7,468
Proved plus probable reserve additions – mboe	6,231
Proved plus probable reserve replacement - %	83
Proved reserve additions - mboe	6,034
Proved reserve replacement - %	81
Proved producing reserve additions - mboe	6,014
Proved producing reserve replacement - %	81

RECYCLE RATIO

The recycle ratio is a measure for evaluating the effectiveness of an organization's reinvestment program. This ratio measures the efficiency of Daylight's internal capital program by comparing the operating netback per boe to the current year internal F&D costs per boe.

	2007
Operating netback Q4 2007 - \$ per boe	30.59
Proved plus probable reserve F&D cost (excluding FDC) - \$ per boe	15.47
Proved plus probable recycle ratio (excluding FDC)	2.0x
Proved plus probable reserve F&D cost (including FDC) - \$ per boe	22.78
Proved plus probable recycle ratio (including FDC)	1.3x
Proved reserve F&D cost (excluding FDC) - \$ per boe	15.97
Proved recycle ratio (excluding FDC)	1.9x
Proved reserve F&D cost (including FDC) - \$ per boe	21.40
Proved recycle ratio (including FDC)	1.4x

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion & Analysis ("MD&A") is dated March 4, 2008 and should be read in conjunction with the accompanying audited consolidated financial statements and notes for the years ended December 31, 2007 and 2006. The consolidated financial statements and other financial data presented have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). This MD&A should also be read in conjunction with the Annual Information Form which includes complete NI 51-101 reserve disclosure and is available at www.sedar.com and on our website at www.daylightenergy.ca. The following MD&A compares the results of the three months ended December 31, 2007 ("Q4 2007") to the three months ended September 30, 2007 ("Q3 2007") and to the three months ended December 31, 2006 ("Q4 2006"). This MD&A also compares the results of the year ended December 31, 2007 ("2007") to the year ended December 31, 2006 ("2006"). All references are to Canadian dollars unless otherwise indicated.

NON GAAP MEASURES

Daylight Resources Trust ("Daylight" or the "Trust") utilizes the following terms for measurement within the MD&A that do not have standardized prescribed meaning under GAAP and these measurements may not be comparable with the calculation of similar measurements of other entities.

"Funds from operations" and **"funds from operations per unit"** are terms utilized by Daylight to evaluate operating performance and assess leverage. Daylight considers funds from operations to be an important measure of Daylight's ability to generate the funds necessary to pay distributions, repay debt and to finance capital expenditures. Funds from operations does not represent net income for the period nor should it be viewed as an alternative to net income or other measures of financial performance calculated in accordance with GAAP. All references to funds from operations throughout the MD&A are based on cash provided by operating activities before change in non-cash operating working capital, asset retirement expenditures and plan of arrangement costs since Daylight believes the timing of collection, payment or incurrence of these items involves a high degree of discretion and as such these items are not useful for evaluating Daylight's operating performance. A reconciliation of cash provided by operating activities to funds from operations follows.

(000s)	Q4 2007	Q3 2007	Q4 2006	2007	2006
Cash provided by operating activities	\$ 44,824	\$ 38,850	\$ 21,314	\$ 167,385	\$ 113,105
Change in non-cash operating working capital	1,819	525	21,395	(5,385)	18,087
Asset retirement expenditures	836	968	1,807	3,929	6,968
Plan of arrangement costs	-	-	(1,243)	-	3,565
Funds from operations	\$ 47,479	\$ 40,343	\$ 43,273	\$ 165,929	\$ 141,725

"Payout ratio" is a term utilized to evaluate financial flexibility and the relative burden of distributions. Payout ratio is defined on a percentage basis as distributions declared divided by funds from operations. Daylight believes that a payout ratio above 100% is a concern as it indicates that no funds from operations are being retained to finance capital expenditures or to repay debt. Daylight believes that a lower payout ratio corresponds to greater financial flexibility since the excess funds from operations can be invested in capital expenditures for the long term benefit of Daylight or be utilized to repay debt and reduce the leverage utilized by Daylight.

"Operating netback" is a term utilized by Daylight to evaluate operating performance of our petroleum and natural gas assets. The term operating netback is defined as petroleum and natural gas revenues less royalties, realized gain (loss) on commodity derivatives, operating and transportation expenses.

"boe" is a term utilized by Daylight in relation to reserves or production to combine the volumetric measures of natural gas, light oil, heavy oil and natural gas liquids ("NGLs") to a common "barrel of oil equivalent" term of measurement. Natural gas volumes have been converted at the ratio of 6,000 cubic feet of natural gas to one boe and this conversion ratio is based upon an energy equivalent conversion method primarily applicable at the burner tip and does not represent value equivalence at the wellhead. Light oil, heavy oil and NGLs have been converted at the ratio of one barrel of these liquids to one boe. Use of the terms boe and amounts per boe without reference to the underlying commodity may be misleading.

FORWARD LOOKING STATEMENTS

Certain statements contained within this MD&A, and in certain documents incorporated by reference into this document, constitute forward-looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference into this MD&A, as the case may be.

In particular, this MD&A, and the documents incorporated by reference, contain forward-looking statements pertaining to the following:

- the performance characteristics of our oil and natural gas properties;
- the size of our oil, natural gas liquids and natural gas reserves and production levels;
- estimates of future cash flow and distributions;
- projections of market prices and costs and the related sensitivities to distributions;
- drilling plans and timing of drilling, recompletion and tie-in of wells;
- weighting of production between different commodities;
- commodity prices, exchange rates and interest rates;
- expected levels of royalty rates, operating costs, general and administrative costs, costs of services and other costs and expenses;
- capital expenditure programs and other expenditures and the timing and method of financing thereof;
- supply of and demand for oil, natural gas liquids and natural gas;
- expectations regarding our ability to raise capital and to continually add to reserves through acquisitions and development;
- the existence, operation and strategy of our commodity price risk management program;
- the approximate and maximum amount of forward sales and hedging to be employed by us;
- our acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom;
- our ability to grow or sustain production and reserves through prudent management;

- the emergence of accretive growth opportunities and continued access to capital markets;
- our future operating and financial results;
- schedules and timing of certain projects and our strategy for future growth; and
- treatment under governmental and other regulatory regimes and tax, environmental and other laws.

With respect to forward-looking statements contained in this MD&A and the documents incorporated by reference herein, we have made assumptions regarding, among other things:

- future oil and natural gas prices and differentials between light, medium and heavy oil prices;
- the continued availability of capital, undeveloped lands and skilled personnel;
- the costs of expanding our property holdings;
- the ability to obtain equipment in a timely manner to carry out exploration, development and exploitation activities;
- the ability to obtain financing on acceptable terms;
- the ability to add production and reserves through exploration, development and exploitation activities; and
- the continuation of the current tax and regulatory regime and other assumptions contained in this MD&A and the documents incorporated by reference herein.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A and the documents incorporated by reference into this document:

- volatility in market prices for oil, natural gas liquids and natural gas;
- changes or fluctuations in oil, natural gas liquids and natural gas production levels;
- liabilities inherent in oil and natural gas operations;
- adverse regulatory rulings, orders and decisions;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands, services and skilled personnel;
- incorrect assessments of the value of acquisitions and targeted exploration and development assets;
- fluctuations in foreign exchange or interest rates;
- stock market volatility, market valuations and the market value of the securities of Daylight;
- failure to realize the anticipated benefits of acquisitions;
- actions by governmental or regulatory authorities including changes in income tax laws (including those relating to mutual fund trusts or investment eligibility) or changes in tax laws and incentive programs relating to the oil and gas industry and income trusts;
- changes in environmental or other legislation applicable to our operations, and our ability to comply with current and future environmental and other laws;
- geological, technical, drilling and processing problems and other difficulties in producing oil, natural gas liquids and natural gas reserves; and
- the other factors discussed under "*Risks and Uncertainties*" in the annual Management's Discussion and Analysis.

Statements relating to "reserves" or "resources" are by their nature deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement. We do not undertake any obligation to publicly update or revise any forward-looking statements.

DAYLIGHT RESOURCES TRUST

HIGHLIGHTS

Financial (CDN\$ thousands, except unit, per unit and operational data)	Q4 2007	Q3 2007	Q4 2006	Years ended December 31, 2007	2006
Petroleum and natural gas revenues	\$ 99,718	\$ 82,557	\$ 92,715	\$ 366,956	\$ 297,333
Royalties	(18,853)	(14,454)	(17,444)	(67,767)	(57,281)
Realized gain (loss) on commodity derivatives	2,145	5,118	91	6,967	(42)
Operating expenses	(23,072)	(21,555)	(21,319)	(93,866)	(67,354)
Transportation	(2,019)	(1,920)	(1,871)	(7,857)	(6,493)
Operating netback	57,919	49,746	52,172	204,433	166,163
G&A – cash charge	(3,724)	(3,552)	(4,326)	(15,233)	(13,181)
Cash financial charges	(6,716)	(5,851)	(4,519)	(23,271)	(11,199)
Cash taxes	-	-	(54)	-	(58)
Funds from operations	47,479	40,343	43,273	165,929	141,725
Per unit					
– Basic	0.61	0.52	0.59	2.16	2.80
– Diluted	0.54	0.52	0.59	2.10	2.71
Cash provided by operating activities	44,824	38,850	21,314	167,385	113,105
Net income (loss)	(127,381)	7,131	(283,511)	(96,267)	(257,823)
Per unit					
– Basic	(1.64)	0.09	(3.88)	(1.26)	(5.09)
– Diluted	(1.64)	0.09	(3.88)	(1.26)	(5.09)
Cash distributions declared	23,296	27,006	43,008	118,891	127,922
Per unit					
0.30	0.35	0.59	1.55	2.47	
Payout ratio	49%	67%	99%	72%	n/a ⁽¹⁾
Capital expenditures	29,089	33,727	49,761	96,380	125,531
Non-cash capital divestitures	-	-	-	-	(27,728)
Corporate acquisitions	-	-	-	-	527,691
Market value of investments	13,068	13,336	22,860	13,068	22,860
Bank debt	257,342	363,153	349,336	257,342	349,336
Working capital deficiency (excluding bank debt)	32,088	37,863	15,561	32,088	15,561
Convertible debentures	119,792	3,467	3,515	119,792	3,515
Total assets	922,344	1,065,025	1,114,085	922,344	1,114,085
Units outstanding (000s)					
Basic	77,657	77,475	74,322	77,657	74,322
Diluted	93,850	78,983	75,309	93,850	75,309
Operational					
<i>(Per boe amounts may not add exactly due to rounding)</i>					
Average daily production					
Natural gas (mcf/d)	71,187	69,143	80,991	73,279	63,648
Light oil (bbls/d)	4,964	4,565	4,455	4,526	3,269
Heavy oil (bbls/d)	2,488	2,382	2,796	2,447	2,709
NGLs (bbls/d)	1,266	1,129	1,449	1,275	908
Oil & NGLs (bbls/d)	8,718	8,076	8,700	8,248	6,886
Combined (boe/d)	20,583	19,600	22,199	20,461	17,494
Average prices received					
Natural gas (\$/mcf)	\$ 6.45	\$ 5.33	\$ 6.75	\$ 6.61	\$ 6.61
Light oil (\$/bbl)	81.84	73.87	60.07	71.54	67.15
Heavy oil (\$/bbl)	53.50	51.97	39.59	48.52	44.24
NGLs (\$/bbl)	64.99	59.90	49.53	57.99	58.09
Oil & NGLs (\$/bbl)	\$ 71.31	\$ 65.46	\$ 51.73	\$ 62.62	\$ 56.94
Combined (\$/boe)	\$ 52.66	\$ 45.79	\$ 45.40	\$ 49.14	\$ 46.57
Petroleum and natural gas revenues (\$/boe)	\$ 52.66	\$ 45.79	\$ 45.40	\$ 49.14	\$ 46.57
Royalties (\$/boe)	(9.96)	(8.02)	(8.54)	(9.07)	(8.97)
Realized gain (loss) on commodity derivatives (\$/boe)	1.13	2.84	0.04	0.93	(0.01)
Operating expenses (\$/boe)	(12.18)	(11.95)	(10.44)	(12.57)	(10.55)
Transportation (\$/boe)	(1.07)	(1.06)	(0.92)	(1.05)	(1.02)
Operating netback (\$/boe)	\$ 30.59	\$ 27.59	\$ 25.55	\$ 27.37	\$ 26.02
G&A – cash charge (\$/boe)	(1.97)	(1.97)	(2.12)	(2.04)	(2.06)
Cash financial charges (\$/boe)	(3.55)	(3.24)	(2.21)	(3.12)	(1.75)
Cash taxes (\$/boe)	-	-	(0.03)	-	(0.01)
Funds from operations (\$/boe)	\$ 25.07	\$ 22.38	\$ 21.19	\$ 22.21	\$ 22.20
Wells drilled – gross (net)	11 (7.8)	18 (9.9)	9 (1.8)	44 (27.3)	47 (27.6)

⁽¹⁾ On a proforma basis, if the Sequoia acquisition had been completed on September 1, 2006, the payout ratio would have been 83% for 2006.

DAYLIGHT RESOURCES TRUST

RESULTS OF OPERATIONS

Daylight is an oil and natural gas energy trust applying a high end technical and business execution team to a high quality asset base to provide sustainable production and reserves levels. Daylight operates in the Western Canadian Sedimentary Basin. Daylight's trust units, 8.5% Convertible Debentures Series A and 8.5% Convertible Debenture Series B trade on the Toronto Stock Exchange ("TSX") with the symbols DAY.UN, DAY.DB and DAY.DB.B, respectively.

Production

Daylight's total production volumes for Q4 2007 averaged 20,583 boe per day which is an increase of approximately 5% from Q3 2007. Q4 2007 production volumes increased due to the addition of new well production from our successful capital program and the completion of plant turnaround activities during Q3 2007. Q4 2007 production was comprised of 71,187 mcf per day of natural gas, 4,964 bbls per day of light oil, 2,488 bbls per day of heavy oil and 1,266 bbls per day of NGLs. Production for Q4 2007 decreased 7% from Q4 2006 primarily due to the reduced capital investment on our natural gas program during 2007. Production for 2007 was 20,461 boe per day, an increase of 17% over the corresponding period in 2006 primarily due to corporate acquisitions and a successful capital program. This increase was evenly weighted with natural gas production increasing 15% and oil and NGLs combined production increasing 20%.

With the addition of new production volumes from our significant and successful 2007 capital expenditures, and a 2008 capital expenditures budget of \$85 million, Daylight expects to average approximately 20,000 to 20,500 boe per day of production for fiscal 2008.

	Q4 2007	Q3 2007	Q4 2006	Years ended 2007	December 31, 2006
Natural gas (mcf/d)	71,187	69,143	80,991	73,279	63,648
Light oil (bbls/d)	4,964	4,565	4,455	4,526	3,269
Heavy oil (bbls/d)	2,488	2,382	2,796	2,447	2,709
NGLs (bbls/d)	1,266	1,129	1,449	1,275	908
Combined oil & NGLs (bbls/d)	8,718	8,076	8,700	8,248	6,886
Combined all products (boe/d)	20,583	19,600	22,199	20,461	17,494

Production replacement activities for the 2008 year are focused on the following:

- Peace River Arch properties of Elmworth and Cecil
- West Central properties of Pine Creek, Kaybob, Sturgeon, Pembina, Obed and Medicine Lodge
- Eastern and Southern properties of Wildmere and Sylvan Lake

Commodity Prices

Daylight's natural gas prices are influenced by overall North American supply and demand balance, seasonal changes, storage levels, the Canadian to US dollar exchange rate and transportation capacity constraints. Daylight's realized natural gas price has a high correlation to the Alberta benchmark price ("AECO") which provides pricing for natural gas based on heating value.

Daylight's oil price is significantly influenced by global supply and demand conditions. Daylight's realized light oil price has a high correlation to the US benchmark West Texas Intermediate at Cushing, Oklahoma ("WTI") price and the Canadian to US dollar exchange rate. Canadian light oil prices correlate to refinery postings, which includes the Edmonton par price, that adjust WTI for the Canadian to US dollar exchange rate as well as transportation costs and quality differentials.

Daylight's realized heavy oil price is lower than its light oil price and the historical correlation with Edmonton par price and Bow River price, a heavy oil benchmark, is not overly strong. Heavy oil requires increased refining and other costs, such as condensate for blending, which reduce the realized price of this product. During 2006 and 2007, the Edmonton par price and Bow River price have been very strong which results in an enhanced price realization by Daylight on its heavy oil production.

DAYLIGHT RESOURCES TRUST

NGLs include condensate, pentane, butane and propane. Prices for NGLs have their own market dynamic with a relatively strong correlation to light oil prices for condensate and pentane, while butane and propane trade at varying discounts due to market conditions including supply and demand.

Market prices	Q4		Q3		Q4		Years ended December 31,	
	2007	2007	2007	2006	2007	2006	2007	2006
AECO (\$Cdn/mcf)	\$ 6.01	\$ 5.07	\$ 6.77	\$ 6.32	\$ 6.38			
WTI (\$US/bbl)	90.57	75.22	59.96	72.33	66.09			
Edmonton par (\$Cdn/bbl)	86.89	80.67	64.94	77.00	73.25			
Bow River (\$Cdn/bbl)	56.40	55.56	45.24	53.09	51.31			
Exchange rate (\$Cdn/\$US)	1.0198	0.9562	0.8779	0.9355	0.8820			

Daylight prices realized	Q4		Q3		Q4		Years ended December 31,	
	2007	2007	2007	2006	2007	2006	2007	2006
Natural gas (\$/mcf)	\$ 6.45	\$ 5.33	\$ 6.75	\$ 6.61	\$ 6.61			
Light oil (\$/bbl)	81.84	73.87	60.07	71.54	67.15			
Heavy oil (\$/bbl)	53.50	51.97	39.59	48.52	44.24			
NGLs (\$/bbl)	64.99	59.90	49.53	57.99	58.09			
Combined oil & NGLs (\$/bbl)	71.31	65.46	51.73	62.62	56.94			
Combined all products (\$/boe)	\$ 52.66	\$ 45.79	\$ 45.40	\$ 49.14	\$ 46.57			

Daylight's natural gas price during Q4 2007 was \$6.45/mcf, a 7% premium to AECO, which is a 21% increase over the Q3 2007 natural gas price of \$5.33/mcf, a 5% premium to AECO. Daylight's Q4 2007 natural gas price was 4% lower than the Q4 2006 natural gas price of \$6.75/mcf, compared to the 11% decrease to AECO between these two periods. During Q4 2007 the daily AECO pricing for natural gas ranged from a low of approximately \$4.15/mcf to a high of approximately \$6.60/mcf. The 2007 natural gas price was \$6.61/mcf, a 5% premium to AECO consistent with the 2006 natural gas price of \$6.61/mcf, a 4% premium to AECO. Daylight has consistently realized a slight premium to AECO on its natural gas sales as a result of the heating value of its natural gas production and Daylight expects this to continue throughout 2008.

Daylight's Q4 2007 light oil realized \$81.84/bbl, 94% of Edmonton par, while Q3 2007 light oil realized \$73.87/bbl, 92% of Edmonton par, for an overall increase of 11% to Daylight's light oil price. Daylight's light oil price for Q4 2007 was 36% higher than the Q4 2006 light oil price of \$60.07/bbl, which was 93% of Edmonton par. Daylight's 2007 light oil price of \$71.54/bbl, 93% of Edmonton par, was 7% higher than our 2006 light oil price of \$67.15/bbl, 92% of Edmonton par. Changes in the Canadian dollar to US dollar exchange rate affect the Canadian dollar Edmonton par and Daylight's realized light oil price relative to the US dollar WTI, with a higher exchange rate generally reducing Edmonton par and Daylight's realized light oil price relative to WTI and a lower exchange rate generally increasing Edmonton par and Daylight's realized light oil price relative to WTI. The Canadian dollar to US dollar exchange rate for Q4 2007 was 1.0198 which generally put downward pressure on Edmonton par and Daylight's realized light oil price in the quarter when compared to Q3 2007 with an exchange rate of 0.9562 and Q4 2006 with an exchange rate of 0.8779. The Canadian dollar to US dollar exchange rate for 2007 was 0.9355 as compared to 0.8820 for 2006.

Daylight's heavy oil production is concentrated at two properties, with Wildmere producing approximately 80% of our current volumes, and Chipman producing the remaining 20%. Daylight's Q4 2007 heavy oil price of \$53.50/bbl, 95% of Bow River, is 3% higher than the Q3 2007 heavy oil price of \$51.97/bbl, 94% of Bow River. Daylight's Q4 2007 heavy oil price was 35% higher than the Q4 2006 heavy oil price of \$39.59/bbl, 88% of Bow River. Daylight's 2007 heavy oil price of \$48.52/bbl, 91% of Bow River, showed a 10% increase from the 2006 heavy oil price of \$44.24, 86% of Bow River.

Daylight's combined oil and NGLs price during Q4 2007 was \$71.31/bbl, 9% higher than Q3 2007 and 38% higher than Q4 2006. Daylight's combined oil and NGLs price for 2007 was \$62.62/bbl, a 10% increase from the 2006 price of \$56.94/bbl.

DAYLIGHT RESOURCES TRUST

Daylight had commodity derivatives in place for a portion of natural gas production volumes from April 1, 2007 to October 31, 2007. The impact of the commodity derivatives is recorded within Daylight's gain (loss) on financial instruments. Subsequent to December 31, 2007, Daylight put commodity derivatives in place for a portion of natural gas production volumes from April 1, 2008 through October 31, 2008.

Daylight's realized prices are expected to continue to correlate with market prices during 2008.

Revenue

(000s)	Q4 2007	Q3 2007	Q4 2006	Years ended December 31, 2007	
	2007	2006	2007	2006	
Natural gas	\$ 42,212	\$ 33,936	\$ 50,291	\$ 176,764	\$ 153,481
Light oil	37,376	31,017	24,619	118,182	80,120
Heavy oil	12,245	11,389	10,185	43,337	43,745
NGLs	7,569	6,222	6,603	26,989	19,252
Other	316	(7)	1,017	1,684	735
Total	\$ 99,718	\$ 82,557	\$ 92,715	\$ 366,956	\$ 297,333

The 5% increase in production combined with the 15% increase in the price on a combined boe basis, resulted in a 21% increase in total revenue for Q4 2007 to \$99.7 million from Q3 2007. Natural gas sales for Q4 2007 were \$42.2 million, an increase of 24% from Q3 2007. Light oil sales for Q4 2007 were \$37.4 million, up 21% from Q3 2007, heavy oil sales for Q4 2007 were \$12.2 million, up 8% from Q3 2007, and NGLs sales for Q4 2007 were \$7.6 million, up 22% from Q3 2007. Total revenue increased 8% in Q4 2007 over Q4 2006, consistent with the production volumes decreasing 7% offset by a 16% increase on the average realized price on a combined boe basis. For 2007, Daylight realized a 15% increase in natural gas sales, a 48% increase in light oil sales, a 1% decrease in heavy oil sales, a 40% increase in NGL sales, for an aggregate 23% increase in total revenue over 2006, caused by a 17% increase in volumes and a 6% increase in average realized price.

Royalties

Royalty payments are made to the owners of the mineral rights on our leases, which include provincial governments (Crown) and freehold landowners, as well as to other third parties by way of contractual overriding royalties.

In Alberta, royalties on natural gas and NGLs are charged by the government based on an established monthly Reference Price. The Reference Price is meant to reflect the average price for natural gas and NGLs in Alberta. Gas cost allowance, custom processing credits and other incentive programs reduce the effective royalty rate.

Overriding royalties are generally paid to third parties where Daylight has entered into agreements to earn an interest in their mineral rights by investing capital in the property.

Oil royalty rates are generally a function of production rates on a per well basis and prices. They are also subject to certain reductions and incentives. Oil crown royalties in Alberta are generally satisfied by delivering the required volume of oil to the Alberta provincial government. Effective September 1, 2007, the Alberta provincial government changed several incentive programs to cap reductions at a maximum dollar value. Existing wells under the programs that have exceeded the cap are subject to increased royalties effective September 1, 2007. Daylight has a number of wells under these programs and, as a result, the Q4 2007 oil royalty rate increased slightly.

DAYLIGHT RESOURCES TRUST

Royalties by type (000s)	Q4 2007	Q3 2007	Q4 2006	Years ended December 31, 2007	2006
Crown royalties, net of ARTC	\$ 14,851	\$ 11,547	\$ 14,222	\$ 53,724	\$ 46,653
Freehold royalties	2,048	1,429	1,510	6,907	5,622
Overriding royalties	1,954	1,478	1,712	7,136	5,006
Total	\$ 18,853	\$ 14,454	\$ 17,444	\$ 67,767	\$ 57,281
\$ per boe	\$ 9.96	\$ 8.02	\$ 8.54	\$ 9.07	\$ 8.97
% of revenue	18.9	17.5	18.8	18.5	19.3

Royalties by commodity (000s)	Q4 2007	Q3 2007	Q4 2006	Years ended December 31, 2007	2006
Natural gas	\$ 5,744	\$ 4,400	\$ 9,694	\$ 28,223	\$ 31,671
Oil and NGLs	13,109	10,054	7,750	39,544	25,610
Total	\$ 18,853	\$ 14,454	\$ 17,444	\$ 67,767	\$ 57,281
Natural gas (\$/boe)	\$ 5.26	\$ 4.15	\$ 7.81	\$ 6.33	\$ 8.18
Oil and NGLs (\$/boe)	16.34	13.53	9.68	13.14	10.19
Total (\$/boe)	\$ 9.96	\$ 8.02	\$ 8.54	\$ 9.07	\$ 8.97
Natural gas (% of revenue)	13.6	13.0	19.3	16.0	20.6
Oil and NGLs (% of revenue)	22.9	20.7	18.7	21.0	17.9
Total (% of revenue)	18.9	17.5	18.8	18.5	19.3

Overall royalty rates increased to 18.9% of revenue in Q4 2007 from 17.5% of revenue in Q3 2007. Natural gas royalty rates increased slightly to 13.6% of revenue from 13.0% of revenue in Q3 2007. Oil and NGLs royalty rates increased to 22.9% of revenue during Q4 2007 as compared to 20.7% of revenue in Q3 2007 as a result of the incentive program change mentioned previously. Total royalty rates increased marginally to 18.9% of revenue for Q4 2007 from 18.8% of revenue for Q4 2006 as a result of the decrease in the natural gas price and the Gas Cost Allowance credits recorded in Q4 2007 offsetting the higher oil royalties paid due to the changed incentive programs. Year over year, total royalty rates decreased to 18.5% of revenue for 2007 from 19.3% of revenue during 2006. This is primarily due to the Gas Cost Allowance credits comprising a larger proportion of the total royalty expense in 2007 compared to 2006.

On October 25, 2007, the Alberta government introduced the New Royalty Framework which is scheduled to take effect January 1, 2009. Approximately 95% of Daylight's current reserves and production are within the Province of Alberta and will be subject to the New Royalty Framework. The exact details and specific regulations are not yet known but Daylight has undertaken a preliminary internal review of the potential impact on our royalty rates, operating netback, funds from operations and net present value of our reserves. Daylight has made assumptions which management considers to be reasonable and has also engaged multiple service providers to assist in determining reasonable assumptions and assessing the potential impact on Daylight. Our analysis is based on our independent reserve evaluation engineer's current commodity price forecast which includes: an AECO natural gas price of \$6.75 per mmbtu for 2008 and \$7.55 per mmbtu for 2009; a WTI crude oil price of US\$92.00 per bbl for 2008 and US\$88.00 per bbl for 2009 with an forecast exchange rate of \$1 Canadian to \$1 US. Based on our internal review, in consultation with multiple service providers, Daylight estimates that the impact of the New Royalty Framework on our future royalty rates, operating netback, funds from operations and the net present value of our reserves in aggregate appears to be minimal. The impact on certain wells, properties and projects is expected to be very significant. The estimated negative impact at our light oil properties of Pembina, Cecil, Sturgeon, Red Earth, Little Horse and Freeman is balanced by the estimated positive impact on our lower rate heavy oil Wildmere property, our deep natural gas West Central properties and our lower rate shallow natural gas properties located in Central Alberta.

Future reserve and production addition activities are expected to be significantly impacted by the changes to the royalty system. The Trust's depth of prospect inventory will allow Daylight to select capital

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expenditure programs that provide the greatest value to our unitholders in the context of the expected change to the royalty system.

Gain (Loss) on Financial Instruments

Financial instruments comprise accounts receivable, investments, accounts payable and accrued liabilities, cash distributions payable, bank debt, and convertible debentures. Unless otherwise noted, carrying values reflect the current fair value of the Trust's financial instruments due to the short term to maturity. The Trust's investments held for trading include the shares of Pegasus Oil & Gas Inc. ("Pegasus") and Trafalgar Energy Ltd. ("Trafalgar") (see Investments section below). These investments held for trading have a fair value based on quoted market values of \$6.5 million as at December 31, 2007. During Q4 2007 Daylight experienced a \$1.1 million unrealized loss on these investments held for trading and a \$3.4 million unrealized loss for 2007. The Trust has an equity investment in Avery Resources Inc. ("Avery") (see Investments section below). This investment has a fair value based on quoted market value of \$6.6 million as at December 31, 2007. Also at December 31, 2007, it was determined that the decline in value of the investment in Avery was other than temporary and was written down to its market value and the impairment of \$2.3 million was charged to net income. For the three months and year ended December 31, 2007 the equity loss on the investment in Avery was \$0.4 million and \$1.9 million respectively.

The Trust's long-term debt bears interest at a floating market rate and accordingly, the fair market value approximates the carrying value. The convertible debentures outstanding at December 31, 2007, with a face value of \$128.6 million, had a fair value based on quoted market value of \$124.7 million.

The Trust may enter into financial or commodity derivatives to manage commodity prices, foreign exchange and interest rate risk. The current 12 month forward strip for AECO natural gas is approximately \$8.80 per mcf and WTI oil is approximately US\$97.00 per barrel which is equivalent to approximately \$97.00 Canadian per barrel.

As at December 31, 2007, Daylight had no commodity derivatives in place.

Subsequent to December 31, 2007, Daylight put the following commodity derivatives in place:

Type of Contract	Commodity	Hedged Volume ⁽²⁾	Hedge Price	Hedge Period
Financial (Swap) ⁽¹⁾	Natural gas	20,000 GJ/d	Cdn\$6.635/GJ	Apr 1/08 to Oct 31/08
Financial (Swap) ⁽¹⁾	Natural gas	10,000 GJ/d	Cdn\$6.700/GJ	Apr 1/08 to Oct 31/08
Financial (Swap) ⁽¹⁾	Natural gas	5,000 GJ/d	Cdn\$6.745/GJ	Apr 1/08 to Oct 31/08
Financial (Swap) ⁽¹⁾	Natural gas	5,000 GJ/d	Cdn\$6.740/GJ	Apr 1/08 to Oct 31/08
Financial (Swap) ⁽¹⁾	Natural gas	5,000 GJ/d	Cdn\$7.140/GJ	Apr 1/08 to Oct 31/08
Financial (Swap) ⁽¹⁾	Natural gas	5,000 GJ/d	Cdn\$7.170/GJ	Apr 1/08 to Oct 31/08

⁽¹⁾ Swap indicates fixed price.

⁽²⁾ A GJ converts to a mcf at the rate of 1.055056 GJs per mcf.

Financial or commodity derivatives used to manage risk are subject to periodic settlements throughout the term of the instruments. Such settlements may result in a gain or loss which is recognized as a realized derivative gain or loss at the time of settlement. The mark-to-market value of a derivative outstanding at the end of a reporting period reflects the value of the derivative based upon market conditions existing as of that date. Any change in value from that determined at the end of the prior period is recognized as an unrealized derivative gain or loss.

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(000s)	Q4 2007	Q3 2007	Q4 2006	Years ended December 31, 2007	2006
Realized gain (loss) on commodity derivatives	\$ 2,145	\$ 5,118	\$ 91	\$ 6,967	\$ (42)
Unrealized gain (loss) on commodity derivatives	(2,234)	(2,745)	5,195	(7,063)	6,066
Unrealized gain (loss) on investments held for trading	(1,120)	(1,457)	-	(3,402)	-
Total	\$ (1,209)	\$ 916	\$ 5,286	\$ (3,498)	\$ 6,024
Realized gain (loss) on commodity derivatives (\$/boe)	\$ 1.13	\$ 2.84	\$ 0.04	\$ 0.93	\$ (0.01)
Unrealized gain (loss) on commodity derivatives (\$/boe)	(1.18)	(1.52)	2.54	(0.95)	0.95
Unrealized gain (loss) on investments held for trading (\$/boe)	(0.59)	(0.81)	-	(0.46)	-
Total (\$/boe)	\$ (0.64)	\$ 0.51	\$ 2.59	\$ (0.47)	\$ 0.94

Daylight experienced a \$2.1 million realized gain and a \$2.2 million unrealized loss on its commodity derivatives during Q4 2007. Daylight recognized a realized gain of \$7.0 million and an unrealized loss of \$7.1 million on its commodity derivatives during 2007. For the three months and year ended December 31, 2007, Daylight recorded a loss on financial instruments of \$1.2 million and \$3.5 million, respectively. As at December 31, 2007, Daylight had no commodity derivatives in place.

Operating Expenses

Operating expenses include activities in the field required to operate wells and facilities, lift to surface, gather, process, treat and store production.

(000s)	Q4 2007	Q3 2007	Q4 2006	Years ended December 31, 2007	2006
Operating costs	\$ 23,072	\$ 21,555	\$ 21,319	\$ 93,866	\$ 67,354
\$ per boe	\$ 12.18	\$ 11.95	\$ 10.44	\$ 12.57	\$ 10.55

Daylight experienced a slight 2% increase in operating costs during Q4 2007 to \$12.18 per boe as compared to Q3 2007 at \$11.95 per boe and a 17% increase to operating costs as compared to Q4 2006 at \$10.44 per boe. During Q2 2007, Daylight recorded approximately \$4.7 million of operating costs attributable to periods prior to 2007 which are considered non recurring charges and primarily relate to third party billings and adjustments to non operated properties. These prior period items increased operating costs by approximately \$2.54 per boe during Q2 2007 and approximately \$0.62 per boe during 2007, contributing to Daylight's 19% increase in operating expenses of \$12.57 per boe for 2007, over the 2006 cost of \$10.55 per boe. Daylight expects its operating costs to be approximately \$12.00 per boe for 2008.

Transportation Expenses

Transportation expenses are defined by the point of legal custody transfer of the commodity and are influenced by the nature of the production, location, availability of transportation and the sales point. The cost of delivering production to the custody transfer point is shown separately as transportation expense.

Daylight generally sells its light oil and NGLs production at the lease with the purchaser taking legal custody of the oil and paying a price for the oil at that delivery point. Daylight's heavy oil, and a small portion of its light oil production, are delivered to a terminal by truck and as such, bear trucking charges which are a transportation expense. Natural gas is usually transported to an established delivery point such as AECO in Alberta and then transferred to the purchaser. Transportation expense was consistent at \$1.07 per boe in Q4 2007 compared to \$1.06 per boe in Q3 2007 and 16% higher than the \$0.92 per boe in Q4 2006. On a year to date basis, transportation costs were \$1.05 per boe in 2007 compared to \$1.02 for 2006.

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(000s)	Q4 2007	Q3 2007	Q4 2006	Years ended December 31, 2007	2006
Transportation costs	\$ 2,019	\$ 1,920	\$ 1,871	\$ 7,857	\$ 6,493
\$ per boe	\$ 1.07	\$ 1.06	\$ 0.92	\$ 1.05	\$ 1.02

Operating Netbacks

The following table provides detail regarding Daylight's operating netbacks on a per boe basis.

\$ per boe	Q4 2007	Q3 2007	Q4 2006	Years ended December 31, 2007	2006
Revenue	\$ 52.66	\$ 45.79	\$ 45.40	\$ 49.14	\$ 46.57
Royalties	(9.96)	(8.02)	(8.54)	(9.07)	(8.97)
Realized gain (loss) on commodity derivatives	1.13	2.84	0.04	0.93	(0.01)
Operating cost	(12.18)	(11.95)	(10.44)	(12.57)	(10.55)
Transportation	(1.07)	(1.06)	(0.92)	(1.05)	(1.02)
Operating netback	\$ 30.59	\$ 27.59	\$ 25.55	\$ 27.37	\$ 26.02

General and Administrative Expenses

The following tables provide detail regarding Daylight's general and administrative expenses ("G&A") on a total and per boe basis.

(000s)	Q4 2007	Q3 2007	Q4 2006	Years ended December 31, 2007	2006
Gross G&A	\$ 6,980	\$ 6,655	\$ 7,764	\$ 27,707	\$ 25,745
Operating recoveries	(1,651)	(1,498)	(1,939)	(6,054)	(7,956)
Capitalized costs	(1,605)	(1,605)	(1,499)	(6,420)	(4,608)
G&A – cash charge	3,724	3,552	4,326	15,233	13,181
Unit based compensation	708	1,704	5,288	4,862	20,851
Net G&A	\$ 4,432	\$ 5,256	\$ 9,614	\$ 20,095	\$ 34,032

\$ per boe	Q4 2007	Q3 2007	Q4 2006	Years ended December 31, 2007	2006
Gross G&A	\$ 3.69	\$ 3.69	\$ 3.80	\$ 3.71	\$ 4.02
Operating recoveries	(0.87)	(0.83)	(0.95)	(0.81)	(1.24)
Capitalized costs	(0.85)	(0.89)	(0.73)	(0.86)	(0.72)
G&A – cash charge	1.97	1.97	2.12	2.04	2.06
Unit based compensation	0.37	0.94	2.59	0.65	3.27
Net G&A	\$ 2.34	\$ 2.91	\$ 4.71	\$ 2.69	\$ 5.33

General and administrative expenses during Q4 2007 were \$4.4 million (\$2.34 per boe) including non-cash unit based compensation of \$0.7 million (\$0.37 per boe). General and administrative expenses for Q3 2007 were \$5.3 million (\$2.91 per boe) including non-cash unit based compensation of \$1.7 million (\$0.94 per boe). G&A expenses for Q4 2006 were \$9.6 million (\$4.71 per boe) including non-cash unit based compensation of \$5.3 million (\$2.59 per boe). The Q4 2007 G&A cash expense per boe was consistent with Q3 2007 and decreased 7% as compared to Q4 2006. Daylight's 2007 G&A expenses were \$20.1 million, a decrease of 41% over 2006. On a boe basis, Daylight's 2007 expense of \$2.69 per boe was 50% lower than the 2006 expense of \$5.33 per boe. On a cash boe basis, the 2007 expense of \$2.04 was slightly lower than the 2006 charge of \$2.06.

Prior to December 31, 2006, Daylight Energy and Midnight Oil Exploration Ltd. ("MOX") established and operated under an Administrative and Technical Services Agreement, which provided for the shared services, required to manage the activities of Daylight Energy and MOX and governed the allocation of general and administrative expenses between the entities. Under this agreement, Daylight Energy was the employer on behalf of the parties and received payment for certain technical and administrative services

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provided to MOX. The Administrative and Technical Services Agreement was terminated effective December 31, 2006. Certain administrative services which provide reasonable economy and do not involve competitive issues continue to be provided to MOX by Daylight Energy on a fixed fee basis which is considered comparable to the fee an independent third party would charge for the services, has been negotiated by the parties and may be cancelled by either party.

Although the Administrative and Technical Services Agreement has been terminated, Daylight and MOX continue to be considered related, as Daylight's Chairman is a director and officer of MOX. In addition, Daylight's Chief Executive Officer and director is also a director of MOX and Daylight's Corporate Secretary is also MOX's Corporate Secretary. Daylight and MOX are joint venture partners in certain properties, and as a result, revenues and costs related to these properties are allocated to each partner under standard joint venture billing arrangements. Each partner's costs and revenues are based on the exchange amounts which reflect actual third party costs incurred and revenue received. All transactions are conducted under standard business terms and are considered within the normal course of Daylight's business activities and operations.

Pursuant to the Administrative and Technical Services Agreement, Daylight charged MOX \$3.7 million for the year ended December 31, 2006 with a receivable balance of approximately \$2.1 million due from MOX as at December 31, 2006. For the year ended December 31, 2007, Daylight charged MOX \$1.4 million for administrative services and premises costs with a payable balance, which includes joint venture and commodity marketing amounts, of approximately \$4.7 million due to MOX as at December 31, 2007.

Unit based compensation expense is an allocation of the fair value of Restricted Trust Unit Awards ("RTUs") and Performance Trust Unit Awards ("PTUs") to their three year vesting period starting at the date of grant. Unit based compensation expense also includes amounts relating to the Employee Bonus Plan and Employee Unit Ownership Plan that were settled in units issued from treasury. In conjunction with the Sequoia Oil & Gas Trust ("Sequoia") acquisition, all unit awards vested immediately prior to the closing of the acquisition, resulting in significant unit based compensation expense in 2006.

Financial Charges

Daylight incurs cash interest expense on its outstanding bank debt and convertible debentures. Daylight's effective bank debt interest rate was 6.0% for Q4 2007 as compared to 6.2% for Q3 2007 and 5.4% for Q4 2006. The convertible debentures have a fixed interest rate of 8.5% for all periods. Non-cash financial charges relate to amortization of costs incurred to issue convertible debentures, establish bank credit facilities and accretion of the convertible debenture discount. Daylight's bank debt interest rate is expected to continue to correlate with market interest rates during 2008 and the convertible debentures interest rate is fixed at 8.5%. On October 3, 2007, Daylight issued \$125 million principal amount of 8.5% Convertible Unsecured Subordinated Debentures, Series B ("Series B Debentures") for net proceeds of \$119.5 million (see Liquidity and Capital Resources section below). The increase in total financial charges for Q4 2007 over Q4 2006 and Q3 2007 are due to this new debenture issuance. Cash financial charges are influenced by both the interest rate and the level of debt outstanding. The increase in cash financial charges for 2007 as compared to 2006 relates primarily to higher bank debt and convertible debenture balances and are also affected by higher interest rates during 2007.

(000s)	Q4 2007	Q3 2007	Q4 2006	Years ended December 31, 2007	2006
Bank debt interest	\$ 4,020	\$ 5,774	\$ 4,442	\$ 20,347	\$ 10,763
Convertible debenture interest	2,696	77	77	2,924	436
Cash financial charges	6,716	5,851	4,519	23,271	11,199
Amortization of financial charges	27	27	34	109	146
Accretion of convertible debenture discount	445	11	5	480	27
Total	\$ 7,188	\$ 5,889	\$ 4,558	\$ 23,860	\$ 11,372

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\$ per boe	Q4 2007	Q3 2007	Q4 2006	Years ended December 31,		
				2007	2006	
Bank debt interest	\$ 2.12	\$ 3.20	\$ 2.17	\$ 2.72	\$ 1.69	
Convertible debenture interest	1.42	0.04	0.04	0.39	0.07	
Cash financial charges	3.55	3.24	2.21	3.12	1.75	
Amortization of financial charges	0.01	0.01	0.02	0.01	0.02	
Accretion of convertible debenture discount	0.23	0.01	-	0.06	-	
Total	\$ 3.80	\$ 3.26	\$ 2.23	\$ 3.19	\$ 1.78	

Depletion, Depreciation and Accretion

Daylight's depletion, depreciation and accretion for Q4 2007 totalled \$36.4 million, which is 4% higher than Q3 2007. Q4 2007 charges decreased 3% from Q4 2006. Daylight's depletion, depreciation and accretion for 2007 totalled \$142.5 million as compared to \$111.1 million for 2006, with the increase primarily attributable to the Sequoia acquisition.

(000s)	Q4 2007	Q3 2007	Q4 2006	Years ended December 31,		
				2007	2006	
Depletion and Depreciation	\$ 35,730	\$ 34,291	\$ 36,971	\$ 139,834	\$ 109,151	
Accretion	662	659	640	2,636	1,962	
Total	\$ 36,392	\$ 34,950	\$ 37,611	\$ 142,470	\$ 111,113	
\$ per boe						
Depletion and Depreciation	\$ 18.87	\$ 19.02	\$ 18.10	\$ 18.72	\$ 17.08	
Accretion	0.35	0.36	0.31	0.35	0.31	
Total	\$ 19.22	\$ 19.38	\$ 18.41	\$ 19.08	\$ 17.38	

Goodwill

The Trust records goodwill on corporate acquisitions when the total purchase price exceeds the fair value of the net identifiable assets and liabilities of the acquired company. The goodwill balance is assessed for impairment annually at year-end or as events occur that could result in an impairment and any impairment is recognized based on the fair value of the Trust compared to its book value. At December 31, 2007 Daylight performed an assessment of its goodwill and determined that the fair value of the entity had been reduced, resulting in a write down of \$137.9 million. As at December 31, 2007 Daylight has no remaining goodwill recorded on the balance sheet. At December 31, 2006 Daylight performed an assessment of its goodwill and determined that the fair value of the entity had been reduced due to the decline in the Trust's market capitalization subsequent to the October 31, 2006 federal government announcement regarding the taxability treatment of trusts. This test resulted in a write down of goodwill of \$301 million for 2006. There has been no impairment to the value of Daylight's petroleum and natural gas assets and no write down to petroleum and natural gas assets has been recorded in any period. Although the overall fair value of the reporting unit was less than the carrying value, resulting in the requirement to assess the goodwill balance for impairment, it was ultimately the strength in our petroleum and natural gas reserves fair value, which is not reflected in these financial statements, that resulted in the need to write-down the goodwill balance at year-end.

(000s)	Q4 2007	Q3 2007	Q4 2006	Years ended December 31,		
				2007	2006	
Write down of goodwill	\$ 137,947	\$ -	\$ 301,000	\$ 137,947	\$ 301,000	

Future Taxes

During the second quarter of 2007, legislation was enacted that applies a tax on distributions from publicly-traded income trusts commencing in the 2011 tax year. This legislation resulted in an additional reduction

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of future taxes of \$2.9 million as previously unrecorded temporary differences at the Trust level were recorded.

During 2007 and 2006, the federal government also enacted legislation reducing the federal tax rates. The tax rate reductions resulted in an additional future tax reduction to net income of \$2.3 million (2006 - \$4.3 million) for the year ended December 31, 2007.

Daylight recorded a future income tax recovery of \$6.8 million in Q4 2007 and a future income tax recovery of \$12.3 million in Q4 2006. For 2007, Daylight recognized a future income tax reduction of \$38.3 million compared to a future income tax recovery of \$33.2 million for 2006. Daylight is a taxable entity under the Canadian Income Tax Act and is currently taxable only on income that is not distributed or distributable to its unitholders.

Daylight does not expect to pay any income taxes until at least 2011 and expects to continue to recognize recoveries of recorded future tax liability amounts on the balance sheet until at least 2011 as income is generated and distributions are paid to unitholders.

(000s)	Q4 2007	Q3 2007	Q4 2006	Years ended December 31,	
				2007	2006
Future Tax	\$ (6,754)	\$ (7,939)	\$ (12,262)	\$ (38,336)	\$ (33,234)
Current Tax	-	-	54	-	58
Total	\$ (6,754)	\$ (7,939)	\$ (12,208)	\$ (38,336)	\$ (33,176)
\$ per boe					
Future Tax	\$ (3.57)	\$ (4.40)	\$ (6.00)	\$ (5.13)	\$ (5.20)
Current Tax	-	-	0.03	-	0.01
Total	\$ (3.57)	\$ (4.40)	\$ (5.97)	\$ (5.13)	\$ (5.19)

As at December 31, 2007, Daylight and its subsidiaries have tax pools of approximately \$814 million. These tax pool balances are subject to change as tax returns are completed, annual claims are made, and reclassification of items between categories may occur.

(000s)	2007			2006	
	Corporate	Trust	Combined	Combined	Combined
Canadian exploration expense	\$ 67,000	\$ -	\$ 67,000	\$ 56,000	\$ 56,000
Canadian development expense	283,000	-	283,000	266,000	266,000
Canadian oil and gas property expense	31,000	82,000	113,000	108,000	108,000
Undepreciated capital cost	302,000	-	302,000	267,000	267,000
Non-capital losses	35,000	-	35,000	38,000	38,000
Share and Unit issue costs	1,000	13,000	14,000	21,000	21,000
Total	\$ 719,000	\$ 95,000	\$ 814,000	\$ 756,000	\$ 756,000

Net Income (Loss), Funds from Operations, and Cash Provided by Operating Activities

As a result of the previously discussed factors, Daylight recognized a Q4 2007 net loss of \$127.4 million (\$67.27/boe, \$1.64/unit-basic, \$1.64/unit-diluted), funds from operations of \$47.5 million (\$25.07/boe, \$0.61/unit-basic, \$0.54/unit-diluted) and cash provided by operating activities of \$44.8 million. For the 2007 period, Daylight recognized a net loss of \$96.3 million (\$12.89/boe, \$1.26/unit-basic, \$1.26/unit-diluted), funds from operations of \$165.9 million (\$22.22/boe, \$2.16/unit-basic, \$2.10/unit-diluted) and cash provided by operating activities of \$167.4 million. Daylight has recognized a net loss for Q4 2007 and Q4 2006 as well as for the years ended December 31, 2007 and 2006 due to write downs of goodwill. Daylight has no remaining goodwill recorded on the balance sheet at December 31, 2007. There has been no impairment to the value of Daylight's petroleum and natural gas assets and no write down to petroleum and natural gas assets has been recorded in any period. Results from the comparative periods are presented below.

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(000s)	Q4 2007	Q3 2007	Q4 2006	Years ended December 31,	
	2007	2007	2006	2007	2006
Net income (loss)	\$ (127,381)	\$ 7,131	\$ (283,511)	\$ (96,267)	\$ (257,823)
Per boe	\$ (67.27)	\$ 3.95	\$ (138.82)	\$ (12.89)	\$ (40.38)
Per Unit					
Basic	\$ (1.64)	\$ 0.09	\$ (3.88)	\$ (1.26)	\$ (5.09)
Diluted	\$ (1.64)	\$ 0.09	\$ (3.88)	\$ (1.26)	\$ (5.09)
Funds from operations	\$ 47,479	\$ 40,343	\$ 43,273	\$ 165,929	\$ 141,725
Per boe	\$ 25.07	\$ 22.38	\$ 21.19	\$ 22.22	\$ 22.20
Per Unit					
Basic	\$ 0.61	\$ 0.52	\$ 0.59	\$ 2.16	\$ 2.80
Diluted	\$ 0.54	\$ 0.52	\$ 0.59	\$ 2.10	\$ 2.71
Cash provided by operating activities	\$ 44,824	\$ 38,850	\$ 21,314	\$ 167,385	\$ 113,105

Daylight's funds from operations is significantly influenced by commodity prices and production volumes.

Daylight's estimated sensitivity to changes in its commodity price, production volume and exchange rate assumptions for the full year 2008 are estimated as follows:

- \$1.4 million per \$0.10 change in natural gas price per mcf.
- \$2.2 million per US\$1.00 change in the WTI oil price per bbl.
- \$1.5 million per 1 mmcft per day change in production.
- \$2.0 million per 100 bbl per day change in light oil production.
- \$1.2 million per 100 bbl per day change in heavy oil production.
- \$1.6 million per 100 bbl per day change in NGLs production.
- \$1.9 million per \$0.01 change in the United States dollar to Canadian dollar exchange rate.

Capital Expenditures

Daylight invested \$29.1 million on its capital expenditure program during Q4 2007 compared to \$33.7 million in Q3 2007 and \$49.8 million in Q4 2006. Daylight invested \$96.4 million on capital expenditures during 2007 as compared to \$125.5 million during 2006. During Q4 2007, Daylight's capital expenditure program was expanded resulting in good finding and development costs for the year and contribute to our 2008 production volumes. On the Peace River Arch, Daylight acquired partners' lands at Elmworth and Cecil which have both been very successful programs for Daylight. These investments increase Daylight's exposure to the significant upside at Elmworth and Cecil going forward. Daylight also accelerated facility expenditures at Sturgeon during a period of unscheduled downtime, which will prevent the downtime that would be required in 2008 to perform this investment. Overall, these expenditures for Q4 2007 and the full year 2007 generated good finding and development costs and are also providing strong contributions to our 2008 production volumes which are anticipated to average 20,000 to 20,500 boe/d.

(000s)	Q4	Q3	Q4	Years ended December 31,	
	2007	2007	2006	2007	2006
Land and acquisitions	\$ 1,352	\$ 1,198	\$ 33,095	\$ 3,211	\$ 39,029
Geological and geophysical	1,682	1,596	1,920	6,664	8,005
Drill, complete and recomplete	13,681	22,835	8,963	55,647	48,971
Equipping and facilities	12,374	8,098	5,783	30,858	29,526
Gross Capital Expenditures	\$ 29,089	\$ 33,727	\$ 49,761	\$ 96,380	\$ 125,531
Conveyance to Pegasus	-	-	-	-	(6,628)
Conveyance to Trafalgar	-	-	-	-	(21,100)
Net Capital Expenditures	\$ 29,089	\$ 33,727	\$ 49,761	\$ 96,380	\$ 97,803

In 2007, Daylight drilled a total of 44 gross (27.3 net) wells with 100% success. This program provided production and reserve additions within the following core areas:

- Peace River Arch Properties include Cecil, Elmworth, and Sinclair. In 2007, Daylight drilled 2 gross (2.0 net) natural gas wells and 7 gross (5.8 net) oil wells.
- West Central properties including Pine Creek, Kaybob, Pembina, Sturgeon, Oldman and Windfall. In 2007, Daylight drilled 12 gross (4.0 net) natural gas wells and 3 gross (1.2 net) oil wells.
- Eastern properties include Wildmere, Bon Accord and Chipman. In 2007, Daylight drilled 6 gross (6.0 net) gas wells and 8 gross (7.1 net) heavy oil wells.
- Southern properties include Chigwell and Sylvan Lake. In 2007, Daylight drilled 6 gross (1.2 net) gas wells.

Investments

	Symbol	Number of Shares	Equity or Fair Value
Avery Resources Inc.	ARY	21,300,000	\$ 6,603
Trafalgar Energy Ltd.	TFL	740,240	2,073
Pegasus Oil & Gas Inc.	POG.A	2,440,000	4,392
Balance, December 31, 2007			\$ 13,068

In conjunction with the Sequoia acquisition in Q3 2006, Daylight acquired approximately 38% of the basic (46% of the diluted) issued and outstanding common shares of Avery Resources Inc., a Calgary-based junior exploration company actively pursuing opportunities in Australia. Avery completed an equity issuance in November 2006 which Daylight did not participate in, thereby changing Daylight's ownership in Avery to 28% of the basic common shares outstanding. This investment is composed of 21,300,000 common shares and Daylight accounts for this investment using the equity method. Avery is a public company trading on the TSX under the symbol ARY. On December 31, 2007, Avery common shares closed at \$0.31 per share. As at December 31, 2007, the market value of this investment was approximately \$6.6 million (2006 - \$13.0 million). Also at December 31, 2007, it was determined that the decline in value of the investment in Avery was other than temporary and was written down to its market value and the impairment of \$2.3 million was charged to net income. For the three months ended December 31, 2007, the equity loss in Avery was \$0.4 million and for the year ended December 31, 2007, the equity loss on the investment in Avery was \$1.9 million.

On the completion of the Plan of Arrangement (the "Arrangement") between Daylight Energy Trust, Sequoia, and Trafalgar on September 21, 2006, Daylight contributed non-core assets in Grouard and Cypress areas based on their fair value, resulting in the transfer of \$21.1 million of property and related asset retirement obligations of \$2.2 million to Trafalgar. Daylight owns 740,240 common shares of Trafalgar which is approximately 6% of the issued and outstanding common shares of Trafalgar at December 31, 2007. The Trust accounts for its investment in Trafalgar at fair value based on the quoted market prices. Trafalgar is a public company trading on the Toronto Stock Exchange under the symbol TFL. On December 31, 2007 the Trafalgar common shares closed at \$2.80 per share. As at December 31, 2007, the market value of this investment is approximately \$2.1 million (2006 - \$3.0 million).

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On June 23, 2006, Daylight closed a transaction with Pegasus, whereby Daylight contributed non-core assets in Sunrise, Hines Creek and 50% of its interest in Chigwell valued at \$6.0 million to Pegasus in exchange for 1,840,000 class A common shares of Pegasus and a \$1.4 million promissory note. The promissory note was fully repaid during the fourth quarter of 2006. Immediately prior to this transaction, Daylight also participated in the initial private placement of Pegasus and contributed \$120,000 in exchange for 600,000 class A common shares. Daylight owns a total of 2,440,000 Class A common shares of Pegasus, which is approximately 9% of the issued and outstanding Class A common shares outstanding at December 31, 2007. The Trust accounts for its investment in Pegasus at fair value based on the quoted market prices. Pegasus is a public company trading on the TSX Venture Exchange under the symbols POG.A and POG.B. On December 31, 2007, the class A shares closed at \$1.80 per share. As at December 31, 2007, the market value of this investment is approximately \$4.4 million (2006 - \$6.8 million).

Daylight continues to consider its equity investments in Avery, Trafalgar and Pegasus as available for disposition.

Distributions

During Q4 2007, Daylight declared three monthly cash distributions totalling \$23.3 million (\$0.30 per Trust Unit) with a resulting payout ratio of 49%. During Q3 2007, Daylight declared three monthly cash distributions totalling \$27.0 million (\$0.35 per Trust Unit) with a resulting payout ratio of 67%. During Q4 2006, Daylight declared three cash distributions totalling \$43.0 million (\$0.585 per Trust Unit). In 2007, Daylight declared twelve monthly cash distributions totalling \$118.9 million (\$1.55 per Trust Unit) with a resulting 72% payout ratio. In 2006, Daylight declared four cash distribution totalling \$57.0 million subsequent to the Sequoia acquisition (\$0.780 per Trust Unit) and eight monthly cash distributions totalling \$70.9 million prior to the Sequoia acquisition (\$1.12 per Daylight Energy Trust Unit).

Daylight's management and the Board of Directors continually monitor the distribution level in relation to forecast funds from operations, debt levels and capital expenditure programs. Commodity prices and production volumes are critical variables in determining funds from operations and changes in these two items have a material impact on funds from operations and Daylight's ability to fund distributions.

Daylight targets to fully finance its capital expenditures and cash distributions with funds from operations over the longer term, but may not fully finance these items within a quarterly or annual period. Daylight's decision to reduce its monthly cash distribution from \$0.15 per unit per month to \$0.10 per unit per month effective for the September 17, 2007 payment date recognizes the potential impact of the natural gas prices on funds from operations for future periods and improves its ability to fully finance capital expenditures and cash distributions with funds from operations. To the extent that capital expenditures are not fully financed by funds from operations, Daylight may draw upon its available credit facilities or issue new trust units or debentures.

As discussed in the non GAAP measures section of this MD&A, Daylight utilizes the non GAAP term "funds from operations" to evaluate operating performance, assess leverage and considers this term to be an important measure in assessing Daylight's ability to generate the funds necessary to pay distributions, repay debt and finance capital expenditures. Funds from operations is also utilized in the calculation of "payout ratio" which is also a non GAAP measure utilized by Daylight to evaluate financial flexibility and the relative burden of distributions. National Policy 41-201 requires certain disclosures comparing distributions to cash provided by operating activities which is a GAAP measure. A reconciliation of cash provided by operating activities to funds from operations is included in the non GAAP measures section of this MD&A. The disclosures required by National Policy 41-201 are contained in the following table and paragraphs of this Distributions section of the MD&A.

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(000s)	Q4 2007	Q3 2007	Q4 2006	Years ended 2007	December 31, 2006
Cash distributions declared per unit	\$ 0.30	\$ 0.35	\$ 0.59	\$ 1.55	\$ 2.47
Cash distributions declared	\$ 23,296	\$ 27,006	\$ 43,008	\$ 118,891	\$ 127,922
Cash provided by operating activities	\$ 44,824	\$ 38,850	\$ 21,314	\$ 167,385	\$ 113,105
Net income (loss)	\$ (127,381)	\$ 7,131	\$ (283,511)	\$ (96,267)	\$ (257,823)
Excess (shortfall) of the following items over cash distributions declared:					
Cash provided by operating activities	\$ 21,528	\$ 11,844	\$ (21,694)	\$ 48,494	\$ (14,817)
Net income (loss)	\$ (150,677)	\$ (19,875)	\$ (326,519)	\$ (215,158)	\$ (385,745)

Cash provided by operating activities of \$44.8 million for Q4 2007 exceeded Daylight's cash distributions of \$23.3 million by \$21.5 million. Cash provided by operating activities of \$38.9 million for Q3 2007 exceeded cash distributions of \$27.0 million by \$11.8 million. Cash provided by operating activities of \$21.3 million for Q4 2006 was less than cash distributions of \$43.0 million by \$21.7 million in the period. On a year over year basis, cash provided by operating activities of \$167.4 million exceeded the cash distributions of \$118.9 million for 2007 by \$48.5 million and cash provided by operating activities of \$113.1 were less than the cash distributions of \$127.9 million for 2006 by \$14.8 million.

For Q4 2007, Q3 2007 and Q4 2006, the cash distributions declared exceeded the net loss of \$127.4 million, the net income of \$7.1 million, and the net loss of \$283.5 million respectively by \$150.7 million, \$19.9 million and \$326.5 million respectively. For the years ended December 31, 2007 and 2006, the cash distributions declared exceeded the net loss of \$96.3 million and \$257.8 million respectively by \$215.2 million and \$385.7 million respectively.

Cash distributions declared typically exceed the net income (loss) in these periods but do not typically exceed cash provided by operating activities and this relationship is expected to continue for future periods. Daylight has declared cash distributions in excess of net income since net income includes several non-cash charges including depletion, depreciation and accretion, unit based compensation, unrealized (gain) loss on financial instruments, and future tax, which do not impact the funds available to pay distributions declared. The depletion, depreciation and accretion charge does not necessarily represent the cost of maintaining and replacing the volume of reserves produced in the period. In those periods where cash distributions exceed the net income (loss) of the period, a portion of the distribution declared may represent an economic return of capital for unit holders and the distributions declared may be subject to increases or decreases in future periods depending on future circumstances.

As part of the Arrangement, Daylight implemented a Premium Distribution Reinvestment and Optional Trust Unit Purchase Plan ("Premium DRIP™") for eligible unitholders. On distribution payment dates eligible Premium DRIP™ unitholders may receive, in lieu of the cash distribution that unitholders are otherwise entitled to receive in respect of their units, a cash payment equal to 102% of such amount.

Unitholders may also reinvest their cash distributions in additional trust units at a price that is 95% of the average market price for the Pricing Period. The Pricing Period refers to the period beginning on the later of the 21st business day preceding the distribution payment date and the second business day following the record date applicable to that distribution payment date, and ending on the second business day preceding the distribution payment date. Eligible Premium DRIP™ unitholders may also make optional cash payments on this date to purchase additional trust units at a price that is equal to the average market price for the Pricing Period. During the year ended December 31, 2007 Daylight issued 2,559,950 trust units from treasury for the Premium DRIP™ in lieu of cash distributions totalling \$23.1 million.

On August 9, 2005, Daylight announced the implementation of the Distribution Reinvestment and Optional Trust Unit Purchase Plan ("DRIP") for eligible unitholders of the Trust. On distribution payment dates, eligible DRIP unitholders may reinvest their cash distributions in additional trust units at a price that is 95% of the 10 day weighted average trading price of Daylight units. Eligible DRIP unitholders may also make

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optional cash payments on this date to purchase additional trust units at a price that is equal to the 10 day weighted average trading price of Daylight units. On September 21, 2006, the DRIP was replaced with the Premium DRIP™ which provides for additional elections by unitholders. During the year ended December 31, 2006, Daylight issued 259,326 Daylight Energy Trust units from treasury for the DRIP in lieu of cash distributions totalling \$2.8 million. Daylight has not issued any trust units under the Premium DRIP™ program since August 2007 when the distribution level of \$0.10 per trust unit was announced.

Liquidity and Capital Resources

(000s)	December 31, 2007	September 30, 2007	December 31, 2006
Bank debt	\$ 257,342	\$ 363,153	\$ 349,336
Working capital deficiency (excluding bank debt)	32,088	37,863	15,561
	289,430	401,016	364,897
Market value of investments	(13,068)	(13,336)	(22,860)
	276,362	387,680	342,037
Convertible debentures	119,792	3,467	3,515
Capital lease obligation - long term portion	-	-	857
Unitholders' equity	\$ 440,152	\$ 586,104	\$ 617,622

At December 31, 2007, Daylight had \$257 million outstanding on its credit facilities which provide up to \$300 million available under a revolving term credit facility with a syndicate of banks and are subject to semi-annual review by the banking syndicate. The next scheduled review date is May 31, 2008.

On October 3, 2007, Daylight issued \$125 million principal amount of 8.5% Convertible Unsecured Subordinated Debentures, Series B for net proceeds of \$119.5 million. The Series B Debentures pay interest semi-annually on October 31 and April 30, commencing with the initial interest payment on April 30, 2008, and have a maturity date of October 31, 2012. The Series B Debentures are convertible at the option of the holder to Trust Units at a conversion price of \$8.60 per Trust Unit. The Trust has the option to redeem the Series B Debentures at a price of \$1,050 per Series B Debenture after October 31, 2010 and on or before October 31, 2011, and at a price of \$1,025 per Series B Debenture after October 31, 2011 and before October 31, 2012. The net proceeds of \$119.5 million were used to repay the \$70 million bridge facility that was outstanding as at December 31, 2006 and due in 2007, and reduce the outstanding indebtedness under the revolving term credit facility.

The market value of Daylight's investments is based on the closing trading value of the related securities at the end of the periods and Daylight's ability to realize this value is subject to the changes in trading value of these securities. Daylight's working capital deficiency, excluding bank debt, at December 31, 2007 was \$32.1 million.

Management anticipates that Daylight will continue to have adequate liquidity to fund future working capital and forecasted capital expenditures during 2008 through a combination of funds from operations, debt and equity. Funds from operations used to finance these commitments may reduce the amount of funding available to provide cash distributions to unitholders. Major acquisitions will require the issuance of new equity in exchange for the equity of acquired entities.

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Trust Unit Information

Daylight's trust units trade on the Toronto Stock Exchange under the symbol "DAY.UN" and Daylight is a constituent of the S&P/TSX Income Trust Index and S&P/TSX Composite Index. A summary of Daylight's trading history on the TSX follows.

(per unit)	Q4		Q3		Q4		Years ended December 31,	
	2007	2007	2007	2006	2007	2006	2007	2006
High	\$ 7.84	\$ 10.34	\$ 14.58	\$ 11.75	\$ 20.33			
Low	\$ 6.07	\$ 6.90	\$ 9.06	\$ 6.07	\$ 9.06			
Close	\$ 7.23	\$ 7.80	\$ 10.21	\$ 7.23	\$ 10.21			
Average daily volume	573,236	428,865	660,644	425,803	346,134			

As at December 31, 2007, Daylight had the following trust units and trust unit equivalents outstanding:

	Number
Trust Units	77,657,133
Convertible debentures Series A (\$3,576,000 face value)	253,997
Convertible debentures Series B (\$125,000,000 face value)	14,534,884
Restricted trust unit awards (1,037,421)	1,198,358
Performance trust unit awards (170,000)	205,986
Total Diluted	93,850,358

As at March 4, 2008, Daylight has the following trust units and trust unit equivalents outstanding:

	Number
Trust Units	77,726,830
Convertible debentures Series A (\$3,576,000 face value)	253,997
Convertible debentures Series B (\$125,000,000 face value)	14,534,884
Restricted trust unit awards (1,025,214)	1,216,317
Performance trust unit awards (170,000)	211,638
Total Diluted	93,943,666

Commitments

The following is a summary of Daylight's contractual obligations and commitments, other than bank debt, convertible debentures, and risk management as at December 31, 2007:

	2008	2009	2010	2011	2012	Thereafter
Capital Lease	\$ 1,007	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Leases	9,893	3,786	2,732	1,571	1,264	6,156
Natural gas transportation	988	532	188	160	44	-
	\$ 11,888	\$ 4,318	\$ 2,920	\$ 1,731	\$ 1,308	\$ 6,156

Daylight enters into multiple contractual obligations as part of conducting day to day business. Material contractual obligations include bank debt, leases for office space, a drilling rig contract and commitments for natural gas transportation. Daylight has entered into an agreement with a third party whereby commitments under a certain drilling rig contract, included in the 2008 obligation of \$9.9 million, have been assumed by the third party for 2008 totalling \$1.6 million.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by Daylight is accumulated and communicated to Daylight's management as appropriate to allow timely decisions regarding required disclosure. Daylight's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings, that Daylight's disclosure controls and procedures for the year ended December 31, 2007 and the year

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ended December 31, 2006 are effective to provide reasonable assurance that material information related to Daylight, including its consolidated subsidiaries, is made known to them by others within those entities.

Daylight's Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision, internal controls over financial reporting related to the Trust, including its consolidated subsidiaries, to provide reasonable assurance regarding the reliability of the Trust's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Daylight's Chief Executive Officer and Chief Financial Officer are required to disclose herein any change in the Trust's internal control over financial reporting that occurred during the Trust's most recent interim period that has materially affected, or is reasonably likely to have materially affected, the Trust's control over financial reporting. During 2006 and 2007, the Trust engaged external consultants to assist in documenting and assessing the Trust's design of internal controls over financial reporting. No changes in the Trust's internal control over financial reporting were identified during the year ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

It should be noted that while Daylight's Chief Executive Officer and Chief Financial Officer believe that the Trust's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Critical Accounting Estimates

The significant accounting policies used by Daylight are disclosed in note 1 to the Consolidated Financial Statements for the years ended December 31, 2007 and 2006. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstance may result in actual results or changes to estimated amounts that differ materially from current estimates. The following discussion helps to assess the critical accounting policies and practices of Daylight and the likelihood of materially different results being reported.

Reserves

Under the National Instrument 51-101 ("NI 51-101"), "Proved" reserves are defined as those reserves that can be estimated with a high degree of certainty to be recoverable. The level of certainty should result in at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated Proved reserves.

"Proved plus Probable" reserves are the most likely case and are based on a 50 percent certainty that they will equal or exceed the reserves estimated. The new standard provides for a more conservative evaluation of proved and probable reserves, particularly on new wells where production history has not yet been established.

These oil and gas reserve estimates are made using all available geological and reservoir data, as well as historical production data. All of Daylight's reserves were evaluated and reported on by an independent qualified reserves evaluator. However, revisions can occur as a result of various factors including: actual reservoir performance, changes in price and cost forecasts or a change in Daylight's plans. Reserve changes will impact the financial results as reserves are used in the calculation of depletion and are used to assess whether asset impairment occurs. Reserve changes also affect other non-GAAP measurements such as finding and development costs, recycle ratios and net asset value calculations.

Depletion

Daylight follows the full cost method of accounting for oil and natural gas properties. Under this method, all costs related to the acquisition of, exploration for and development of oil and natural gas reserves are capitalized whether successful or not. Depletion of the capitalized oil and natural gas properties and depreciation of production equipment which includes estimated future development costs less estimated

salvage values are calculated using the unit-of-production method based on production volumes in relation to estimated proved reserves.

An increase in estimated proved reserves would result in a reduction in depletion expense. A decrease in estimated future development costs would also result in a reduction in depletion expense.

Unproved Properties

The cost of acquisition and evaluation of unproved properties are initially excluded from the depletion calculation. These properties are assessed to ascertain whether impairment in value has occurred. When proved reserves are assigned or a property is considered to be impaired, the cost of the property or the amount of the impairment will be added to the capitalized costs for the calculation of depletion.

Ceiling Test

The ceiling test is a cost recovery test intended to identify and measure potential impairment of assets. An impairment loss is recorded if the sum of the undiscounted cash flows expected from the production of the proved reserves and the lower of cost and market of unproved properties does not exceed the carrying values of the petroleum and natural gas assets. An impairment loss is recognized to the extent that the carrying value exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of cost and market of unproved properties. The cash flows are estimated using the future product prices and costs and are discounted using the risk free rate. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material. Any impairment as a result of this ceiling test will be charged to operations as additional depletion and depreciation expense.

Asset Retirement Obligations

Daylight records a liability for the fair value of legal obligations associated with the retirement of petroleum and natural gas assets. The liability is equal to the discounted fair value of the obligation in the period in which the asset is recorded with an equal offset to the carrying amount of the asset. The liability then accretes to its fair value with the passage of time and the accretion is recognized as an expense in the financial statements. The total amount of the asset retirement obligation is an estimate based on Daylight's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. The total amount of the estimated cash flows required to settle the asset retirement obligation, the timing of those cash flows and the discount rate used to calculate the present value of those cash flows are all estimates subject to measurement uncertainty. Any change in these estimates would impact the asset retirement liability and the accretion expense.

Acquisitions

Acquisitions have been accounted for by the purchase method using fair values. The determination of fair value involves numerous estimates. The valuation of petroleum and natural gas assets is based on Daylight's estimate of proved plus probable reserves using estimated forecasted prices at the time of the transaction, plus an estimate of unproved properties. Management also estimates the fair value of other assets and liabilities in these transactions and the balances for tax pools. This valuation could differ materially by altering the various assumptions which would have impacted the composition of the balance sheet.

Income Taxes

The determination of income and other tax liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. The estimation of future tax liabilities includes uncertainty around the reversal of temporary differences. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management.

Financial Instruments

Commodity derivatives are recorded at fair value based on an estimate of the amounts that would have been received or paid to settle these instruments prior to maturity given future market prices and other

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relevant factors. The actual amounts received or paid to settle these instruments at maturity could differ significantly from those estimated.

Other Estimates

The accrual method of accounting requires management to incorporate certain estimates including estimates of revenues, royalties and operating costs as at a specific reporting date but for which actual revenues and costs have not yet been received. In addition, estimates are made on capital projects which are in progress or recently completed where actual costs have not been received by the reporting date. Daylight obtains the estimates from the individuals with the most knowledge of the activity and from all project documentation received. The estimates are reviewed for reasonableness and compared to past performance to assess the reliability of the estimates. Past estimates are compared to actual results in order to make informed decisions on future estimates.

Anticipated Changes in Accounting Principles During 2008

There are several new standards that will be in effect for the annual and interim financial statements for 2008. The following summarizes these pronouncements: CICA Handbook section 1535 "Capital Disclosures" establishes guidelines for the disclosure on an entity's capital and how it is managed, section 3862 "Financial Instruments – Disclosures" provides revised standards on the disclosure of financial instruments and non-financial derivatives, section 3863 "Financial Instruments – Presentation" provides revised standards on the presentation of financial instruments and non-financial derivatives, and section 1400 was amended to include new requirements on assessing and disclosing an entity's ability to continue as a going concern. These new standards are not anticipated to impact the amounts reported in the Trust's financial statements as they primarily relate to disclosure.

On February 13, 2008, Canada's Accounting Standard Board confirmed January 1, 2011 as the effective date for complete convergence of Canadian GAAP to International Financial Reporting Standards ("IFRS"). The Canadian Securities Administrators are in the process of examining changes to securities rules as a result of this initiative. Daylight will continue to monitor and assess the impact of the planned convergence of Canadian GAAP with IFRS.

Risks and Uncertainties

Daylight is subject to multiple business risks that are similar to other entities involved in the conventional energy trust sector. Daylight's financial position, results of operations, cash flows and distributions to unitholders are directly impacted by the following factors:

For a detailed discussion of Risks and Uncertainties, refer to the Trust's Annual Information Form, filed on SEDAR at www.sedar.com.

Volatility of Oil and Natural Gas Prices

Operational results and the financial condition of Daylight will be dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by economic and in the case of oil prices, political factors. Supply and demand factors, including weather and general economic conditions as well as conditions in other oil and natural gas regions impact prices. Any movement in oil and natural gas prices could have an effect on Daylight's financial condition and therefore on the cash available to be distributed to unitholders. Daylight may manage the risk associated with changes in commodity prices by entering into oil or natural gas price hedges. If Daylight hedges its commodity price exposure, it will forego the benefits it would otherwise experience if commodity prices were to increase. In addition, commodity hedging activities could expose Daylight to losses. To the extent that Daylight engages in risk management activities related to commodity prices, it will be subject to credit risks associated with counterparties contracted with.

Variations in Interest Rates and Foreign Exchange Rates

An increase in interest rates would result in an increase in the amount Daylight pays to service debt, which could result in a decrease in distributions to unitholders, as well as impact the market price of the trust units.

World oil prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate that may fluctuate over time. A material increase in the value of the Canadian dollar may negatively impact Daylight's net production revenue.

To the extent that Daylight engages in risk management activities related to foreign exchange rates, it will be subject to credit risk associated with the contract counterparties. The increase in the exchange rate for the Canadian dollar and future Canadian/United States exchange rates will impact the future value of reserves as determined by Daylight's independent evaluators and may impact future distributions.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and cash flows to be derived therefrom, including many factors beyond Daylight's control. The reserve and associated cash flow information represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. Daylight's actual production, revenues and development and operating expenditures with respect to reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices may result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, Daylight's independent petroleum engineering firm has used both constant and forecast price and cost estimates in calculating reserve quantities. Actual future net cash flows will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived therefrom will vary from the estimates contained in the engineering report, and such variations could be material. The engineering report is based in part on the assumed success of activities Daylight intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the engineering report will be reduced to the extent that such activities do not achieve the level of success assumed.

Depletion of Reserves

Distributions of income from Daylight properties, absent commodity price increases or cost effective acquisition and development activities, will decline over time in a manner consistent with declining production from typical oil, natural gas and natural gas liquids reserves. Daylight will not be reinvesting cash flow in the same manner as other industry participants as Daylight conducts only minimal exploratory activities; nor to the same extent as other industry participants as one of Daylight's main objectives is to maximize long-term distributions. Accordingly, absent capital injections, production levels and reserves will decline and the level of income available for distributions will be reduced.

Future oil and natural gas reserves and production, and therefore Daylight's cash flows, will be highly dependent on Daylight's success in exploiting its reserve base and acquiring additional reserves. Without reserve additions through acquisition or development activities, reserves and production will decline over time as reserves are exploited.

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To the extent that external sources of capital, including the issuance of additional trust units become limited or unavailable, Daylight's ability to make the necessary capital investments to maintain or expand oil and natural gas reserves will be impaired. To the extent that Daylight requires the use of cash flow to finance capital expenditures or property acquisitions, the level of income available for distributions will be reduced.

There can be no assurance that Daylight will be successful in developing or acquiring additional reserves on terms that meet its investment objectives.

Environmental Concerns

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Daylight's operating entities to incur costs to remedy such discharge. Although Daylight believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Daylight's financial condition, results of operations or prospects.

Operational Matters

Continuing production from a property, and to some extent the marketing of production therefrom, depend upon many factors, including the ability of the operator of the property. To the extent the operator fails to perform these functions properly, revenue may be reduced. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent. Although satisfactory title reviews are generally conducted in accordance with industry standards, such reviews do not guarantee or certify that a defect in the chain of title may not arise to defeat Daylight's or its subsidiaries' claim to certain properties. Any such circumstances could impair the ability of Daylight Energy to satisfy its obligations or otherwise reduce the amount received by Daylight.

Insurance

Daylight's involvement in the exploration for and development of oil and natural gas properties may result in Daylight becoming subject to liability for pollution, blowouts, property damage, personal injury or other hazards. Although, prior to drilling, Daylight's operating entities will obtain insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, Daylight's operating entities may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to Daylight. The occurrence of a significant event that was not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Daylight's operating subsidiaries' financial position, results of operations or prospects and will reduce income otherwise distributable.

Royalties

Daylight's production and related Crown royalty expense is primarily generated from our properties within the province of Alberta. Crown royalty rates are subject to change and a change may have a significant impact on Daylight's cash flow. On October 25, 2007, the Alberta provincial government announced its plan to change the provincial royalty system. The government indicated that all changes to the royalty system are scheduled to be made effective January 1, 2009. Approximately 95 percent of Daylight's production and reserves are from properties located in Alberta and are subject to royalties payable to the provincial government. At this time, detailed information on the proposed royalty system is not available and although

we have performed a limited preliminary assessment (see "Royalties" section of this MD&A) the final regulations may generate a different result and the impact on Daylight may be material.

Changes in Legislation

Income tax laws, or other laws or government incentive programs relating to the oil and gas industry, such as the treatment of mutual fund trusts and resource taxation, may in the future be changed or interpreted in a manner that adversely affects Daylight and the unitholders. Tax authorities having jurisdiction over Daylight or unitholders may disagree with how Daylight calculates its income for tax purposes or could change administrative practices to the detriment of Daylight or its unitholders.

Daylight intends to continue to qualify as a mutual fund trust for purposes of the Income Tax Act (Canada). Daylight may not, however, always be able to satisfy any future requirements for the maintenance of mutual fund trust status. Should Daylight's status as a mutual fund trust be lost or successfully challenged by a relevant tax authority, certain adverse consequences may arise for Daylight and its unitholders. Some of the significant consequences of losing mutual fund trust status are as follows:

- Daylight would be taxed on certain types of income distributed to unitholders, including income generated by the royalties held. Payment of this tax may have adverse consequences for some unitholders, particularly unitholders that are not residents of Canada and residents of Canada that are otherwise exempt from Canadian income tax.
- Daylight would cease to be eligible for the capital gains refund mechanism available under Canadian tax laws if it ceased to be a mutual fund trust.
- Trust units held by unitholders that are not residents of Canada would become taxable Canadian property. These non-resident holders would be subject to Canadian income tax on any gains realized on a disposition of trust units held by them.
- Trust units would not constitute qualified investments for registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), registered education savings plans ("RESPs") or deferred profit sharing plans ("DPSPs"). If, at the end of any month, one of these exempt plans holds Trust Units that are not qualified investments, the plan must pay a tax equal to 1% of the fair market value of the trust units at the time the trust units were acquired by the exempt plan. An RRSP or RRIF holding non-qualified trust units would be subject to taxation on income attributable to the trust units. If an RESP holds non-qualified trust units, it may have its registration revoked by the Canada Revenue Agency.

Daylight may take certain measures in the future to the extent considered necessary to ensure that status as a mutual fund trust is maintained. These measures could be adverse to certain holders of trust units, particularly "non-residents" of Canada as defined in the Income Tax Act (Canada).

Taxation of Daylight Energy

Daylight Energy is subject to taxation in each taxation year on its income for the year, after deducting certain payments made to Daylight to the extent that there are not sufficient resource pool deductions, capital cost allowance or utilization of prior years non-capital losses to reduce taxable income to zero. Daylight Energy intends to deduct, in computing its income for tax purposes, the full amount available for deduction in each year associated with the income tax resource pools, undepreciated capital cost ("UCC") and non-capital losses carried forward, if any, plus resource pools and UCC created by capital expenditures of Daylight Energy. If there are not sufficient resource pools, UCC and non-capital losses carried forward to shelter the income of Daylight Energy, then cash taxes would be payable by Daylight Energy. In addition, there can be no assurance that taxation authorities will not seek to challenge certain amounts. If such a challenge were to succeed against Daylight Energy, it could materially adversely affect the amount of distributable cash available.

The Trust Indenture provides that an amount equal to the taxable income of Daylight will be distributed each year to unitholders in order to reduce Daylight's taxable income to zero.

On October 31, 2006, the Federal Minister of Finance announced proposals (the "October 31, 2006 Proposals") to amend the Tax Act to apply a tax on distributions from publicly-traded income trusts. Under

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the October 31, 2006 Proposals, existing income trusts will be subject to the new measures commencing in their 2011 taxation year, following a four-year grace period. This legislation was enacted in June 2007.

In simplified terms, under the tax plan, distributions to unitholders that had previously been provided without taxes or withholdings will become subject to a new tax at the income trust level. The income distributions to Canadian taxable individual unitholders will be treated as dividends from a Canadian corporation and would be eligible for the dividend tax credit. Income distributions to corporations resident in Canada will be eligible for full deduction as tax free intercorporate dividends. Tax-deferred accounts (Registered Retirement Savings Plans, Registered Retirement Income Funds and Canadian Pension Funds) will continue to pay no tax on distributions received. Non-resident unitholders will be taxed on distributions at the non-resident withholding tax rate for dividends. The net impact on Canadian taxable investors is expected to be minimal because they may take advantage of the dividend tax credit. Distributions to tax-deferred accounts and to non-residents will be negatively affected since these distributions will be subject to the distribution tax at the trust level but the recipients will not be eligible for the dividend tax credit which is available to Canadian taxable investors.

Given the grace period before existing trusts will be taxed, the Trust has an opportunity to examine its strategy, and if warranted, modify it to provide the best possible return for unitholders. The grace period applies limitation thresholds on the issuance of new equity or securities convertible into new equity from October 31, 2006 to December 31, 2010 and issuances exceeding these thresholds may cause an earlier expiry of the grace period. Unitholders also have an opportunity to arrange their investments to minimize the impact of the proposed tax changes on their portfolios. Daylight's high quality tax pools of over \$800 million at December 31, 2007 will be available to provide significant shelter from cash taxes payable beyond the expiry of the grace period available to the Trust.

Debt Service

Daylight Energy may, from time to time, finance a significant portion of its operations through debt. Amounts paid in respect of interest and principal on debt incurred by Daylight Energy may impair Daylight Energy's ability to satisfy its obligations to Daylight. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to debt service before payment by Daylight Energy of its obligation to Daylight. Ultimately, this may result in lower levels of distributable cash.

Pursuant to its credit facilities, Daylight Energy is restricted from making distributions to Daylight, including payments of principal and interest in the following circumstances: (i) after a demand has been made under the facility; (ii) after a default or event of default has occurred under the facility or if the borrowings thereunder exceed the borrowing base established from time to time by the lender; and (iii) if such distribution would result in a default or event of default under the facility. This may restrict the ability of Daylight Energy to pay Daylight, and therefore may limit or eliminate cash available for distribution.

Lenders will be provided with security over all of the assets of Daylight Energy. If Daylight Energy becomes unable to pay its debt service charges or otherwise commits an event of default such as bankruptcy, a lender may foreclose on or sell the assets of Daylight Energy.

Delay in Cash Distributions

In addition to the usual delays in payment by purchasers of oil and natural gas to the operators of the properties, and by the operator to Daylight Energy, payments between any of such parties may also be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, blowouts or other accidents, recovery by the operator of expenses incurred in the operation of the properties or the establishment by the operator of reserves for such expenses.

Reliance on Management

Unitholders will be dependent on the management of Daylight Energy in respect of the administration and management of all matters relating to its operations. Daylight Energy, as of December 31, 2007, operated approximately 75% of total daily production. Investors who are not willing to rely on the management of Daylight Energy should not invest in the trust units and/or convertible debentures.

Expansion of Operations

The operations and expertise of management are currently focused on conventional oil and gas production and development in the Western Canadian Sedimentary Basin. In the future, Daylight may acquire oil and gas properties outside this geographic area. In addition, the Trust Indenture does not limit Daylight's activities to oil and gas production and development, and Daylight could acquire other energy related assets, such as oil and natural gas processing plants or pipelines. Expansion activities into new areas may present new additional risks or alternatively, significantly increase the exposure to one or more of the present risk factors which may result in future operational and financial conditions being adversely affected.

Net Asset Value

Daylight's net asset value from time to time will vary dependent upon a number of factors beyond the control of management, including oil and gas prices. The trading prices of the trust units from time to time is also determined by a number of factors which are beyond the control of management and such trading prices may be greater than Daylight's net asset value.

Additional Financing

In the normal course of making capital investments to maintain and expand Daylight's oil and gas reserves, additional trust units may be issued from treasury which may result in a decline in production per trust unit and reserves per trust unit. Additionally, from time to time Daylight may issue trust units from treasury in order to reduce debt and maintain a more optimal capital structure. Conversely to the extent that external sources of capital, including the issuance of additional trust units become limited or unavailable, Daylight's ability to make the necessary capital investments to maintain or expand oil and gas reserves will be impaired. To the extent that Daylight is required to use cash flow to finance capital expenditures or property acquisitions or to pay debt service charges or to reduce debt, the level of income available for distributions will be reduced.

Competition

There is strong competition relating to all aspects of the oil and gas industry. There are numerous trusts in the oil and gas industry, who are competing for the acquisitions of properties with longer life reserves and properties with exploitation and development opportunities. As a result of such increasing competition, it will be more difficult to acquire reserves on beneficial terms. Daylight also competes for reserve acquisitions and skilled industry personnel with a substantial number of other oil and gas companies and trusts, many of which have significantly greater financial and other resources.

Return of Capital

Trust units will have no value when Daylight's oil and gas properties can no longer be economically produced and, as a result, cash distributions do not represent a "yield" in the traditional sense and are not comparable to bonds or other fixed yield securities, where investors are entitled to a full return of the principal amount of debt on maturity in addition to a return on investment through interest payments. Distributions represent a combination of return of unitholders initial investment and a return on unitholders initial investment.

Unitholders have a limited right to require Daylight to repurchase their trust units, which is referred to as a redemption right. It is anticipated that the redemption right will not be the primary mechanism for unitholders to liquidate their investment. The right to receive cash in connection with a redemption is subject to limitations.

Nature of Trust Units

Trust units do not represent a traditional investment in the oil and natural gas sector and should not be viewed as shares in Daylight Energy. Trust units represent a fractional interest in the Trust. As holders of trust units, unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. Daylight's sole assets are investments in Daylight Energy. The price per trust unit is a function of anticipated distributable cash, underlying assets and management's ability to effect long-term growth in value. The market price of the trust units will be sensitive to a variety of market conditions including, but not limited to, interest rates

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and Daylight's ability to acquire suitable oil and natural gas properties. Changes in market conditions may adversely affect the trading price of the trust units.

The trust units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, Daylight is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on nor intend to carry on the business of a trust company.

Unitholder Limited Liability

The Trust Indenture provides that no unitholder will be subject to any liability in connection with Daylight or its obligations and affairs and, in the event that a court determines unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of Daylight assets. Pursuant to the Trust Indenture, Daylight will indemnify and hold harmless each unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a unitholder resulting from or arising out of such unitholder not having such limited liability.

The Trust Indenture provides that all written instruments signed by or on behalf of Daylight must contain a provision to the effect that such obligation will not be binding upon unitholders personally. Personal liability may also arise in respect of claims against Daylight that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered unlikely.

Daylight's operations will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability on the unitholders for claims.

In addition, the Income Trust Liability Act (Alberta) was proclaimed in force in Alberta on June 30, 2004. The Income Trust Liability Act (Alberta) provides that the beneficiary of a trust that is (a) created by a trust instrument governed by the laws of Alberta, and (b) a reporting issuer as defined in the Securities Act (Alberta), is not liable as a beneficiary for any act, default, obligation or liability of the trustee.

Stability Rating

Daylight does not have a stability rating and has no current plans to apply for a stability rating.

Non-Resident Ownership of Trust Units

In order for Daylight to maintain its status as a mutual fund trust under the Income Tax Act (Canada), it must not be established or maintained primarily for the benefit of non-residents within the meaning of the Income Tax Act (Canada). The Trust Indenture provides that if at any time Daylight become aware that the beneficial owners of 45% or more of the trust units then outstanding are or may be non-residents or that such a situation is imminent, Daylight shall take such action as may be necessary to carry out the foregoing intention.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. Daylight's operations may require licenses from various governmental authorities. There can be no assurance that Daylight will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at planned projects.

Maintenance of Distributions

Daylight adds to its oil and natural gas reserves primarily through development and acquisitions with only a small percentage of the capital directed to exploration. As a result, future oil and natural gas reserves are highly dependent on Daylight's operating entities success in exploiting existing properties and acquiring additional reserves. Daylight also distributes the majority of its net cash flow to unitholders rather than reinvesting it in reserve additions. Accordingly, if external sources of capital, including the issuance of additional trust units, become limited or unavailable on commercially reasonable terms, Daylight's operating entities' ability to make the necessary capital investments to maintain or expand oil and natural gas reserves will be impaired. To the extent that Daylight's operating entities are required to use cash flow to finance capital expenditures or property acquisitions, the level of cash flow available for distribution to

unitholders will be reduced. Additionally, Daylight cannot guarantee that it will be successful in developing additional reserves or acquiring additional reserves on terms that meet its investment objectives. Without these reserve additions, Daylight's reserves will deplete and as a consequence, either production from, or the average reserve life of, Daylight properties will decline. Either decline may result in a reduction in the value of trust units and in a reduction in cash available for distributions to unitholders.

Kyoto Protocol

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so called "greenhouse natural gases". Daylight's exploration and production facilities and other operations and activities emit a small amount of greenhouse natural gases which may subject Daylight to legislation regulating emissions of greenhouse natural gases. The Government of Canada has put forward a Climate Change Plan for Canada which suggests further legislation will set greenhouse natural gases emission reduction requirements for various industrial activities, including oil and natural gas exploration and production. Future federal legislation, together with provincial emission reduction requirements such as those proposed in Alberta's Bill 37: Climate Change and Emissions Management, may require the reduction of emissions or emissions intensity produced by Daylight's operations and facilities. The direct or indirect costs of these regulations may adversely affect Daylight's business.

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Quarterly Information

Financial (in thousands of dollars, except unit, per unit and boe data)	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Petroleum and natural gas revenues	\$ 99,718	\$ 82,557	\$ 92,699	\$ 91,982	\$ 92,715	\$ 69,877	\$ 68,554	\$ 66,187
Royalties	(18,853)	(14,454)	(18,223)	(16,237)	(17,444)	(13,312)	(14,040)	(12,485)
Realized gain (loss) on commodity derivatives	2,145	5,118	(320)	24	91	(133)	-	-
Operating expenses	(23,072)	(21,555)	(27,268)	(21,971)	(21,319)	(15,901)	(15,286)	(14,848)
Transportation	(2,019)	(1,920)	(2,085)	(1,833)	(1,871)	(1,959)	(1,354)	(1,309)
Operating netback	57,919	49,746	44,803	51,965	52,172	38,572	37,874	37,545
G&A – cash charge	(3,724)	(3,552)	(4,117)	(3,840)	(4,326)	(3,634)	(2,625)	(2,596)
Cash financial charges	(6,716)	(5,851)	(5,412)	(5,292)	(4,519)	(2,695)	(2,286)	(1,699)
Cash taxes	-	-	-	-	(54)	(1)	222	(225)
Funds from operations	47,479	40,343	35,274	42,833	43,273	32,242	33,185	33,025
Per unit	– Basic	0.61	0.52	0.46	0.57	0.59	0.71	0.79
	– Diluted	0.54	0.52	0.46	0.57	0.59	0.68	0.77
Cash provided by operating activities	44,824	38,850	37,211	46,500	21,314	31,783	42,119	17,889
Net income (loss)	(127,381)	7,131	18,682	5,301	(283,511)	(2,140)	15,735	12,093
Per unit	– Basic	(1.64)	0.09	0.24	0.07	(3.88)	(0.05)	0.38
	– Diluted	(1.64)	0.09	0.24	0.07	(3.88)	(0.05)	0.38
Cash distributions								
declared	23,296	27,006	34,475	34,114	43,008	31,844	26,663	26,407
Per unit	0.30	0.35	0.45	0.45	0.59	0.62	0.63	0.63
Payout ratio	49%	67%	98%	80%	99%	n/a ⁽¹⁾	80%	80%
Capital expenditures	29,089	33,727	12,887	20,677	49,761	19,358	21,034	35,378
Non-cash capital divestitures	-	-	-	-	-	(21,100)	(6,628)	-
Corporate acquisitions	-	-	-	-	-	527,691	-	-
Market value of investments	13,068	13,336	17,988	16,673	22,860	20,500	5,783	-
Bank debt	257,342	363,153	358,832	338,511	349,336	287,392	165,114	162,190
Working capital deficiency	32,088	37,863	20,520	30,370	15,561	46,877	28,931	17,048
Convertible debentures	119,792	3,467	3,456	3,444	3,515	3,510	3,973	6,996
Total assets	922,344	1,065,025	1,072,055	1,083,695	1,114,085	1,424,236	833,821	845,746
Units outstanding (000s)								
Basic	77,657	77,475	76,652	76,542	74,322	71,863	42,209	41,861
Diluted	93,850	78,983	78,133	77,597	75,309	72,117	44,349	44,110
Operations								
Average daily production								
Natural gas (mcf/d)	71,187	69,143	74,356	78,556	80,991	57,926	59,452	56,012
Light oil (bbls/d)	4,964	4,565	4,258	4,310	4,455	3,172	2,855	2,575
Heavy oil (bbls/d)	2,488	2,382	2,416	2,504	2,796	2,760	2,579	2,701
NGLs (bbls/d)	1,266	1,129	1,258	1,449	1,449	756	740	677
Oil & NGLs (bbls/d)	8,718	8,076	7,932	8,263	8,700	6,688	6,174	5,953
Combined (boe/d)	20,583	19,600	20,325	21,356	22,199	16,342	16,083	15,288
Average prices received								
Natural gas (\$/mcf)	\$ 6.45	\$ 5.33	\$ 7.24	\$ 7.31	\$ 6.75	\$ 5.74	\$ 6.18	\$ 7.77
Light oil (\$/bbl)	81.84	73.87	67.09	61.34	60.07	74.23	71.78	65.55
Heavy oil (\$/bbl)	53.50	51.97	46.05	42.50	39.59	51.27	52.01	34.29
NGLs (\$/bbl)	64.99	59.90	53.42	54.31	49.53	67.79	63.05	60.50
Oil & NGLs (\$/bbl)	\$ 71.31	\$ 65.46	\$ 58.51	\$ 54.40	\$ 51.73	\$ 64.03	\$ 62.48	\$ 50.79
Combined (\$/boe)	\$ 52.66	\$ 45.79	\$ 50.12	\$ 47.86	\$ 45.40	\$ 46.48	\$ 46.84	\$ 48.10
Wells drilled - gross (net)	11 (7.8)	18 (9.9)	4 (3.6)	11 (6.0)	9 (1.8)	12 (9.2)	5 (1.0)	21 (15.6)

⁽¹⁾ On a pro forma basis, if the Sequoia acquisition had been completed on September 1, 2006, the payout ratio would have been 88% for Q3 2006.

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Quarterly Information

Financial (in thousands of dollars, except unit, per unit and boe data)	2005				2004 Oct. 21 to Dec. 31
	Q4	Q3	Q2	Q1	
Petroleum and natural gas revenues	\$ 85,615	\$ 76,445	\$ 60,529	\$ 53,984	\$ 17,377
Royalties	(15,802)	(13,242)	(10,558)	(10,375)	(3,674)
Realized gain (loss) on commodity derivatives	(99)	(350)	59	-	-
Operating expenses	(13,580)	(12,981)	(13,184)	(12,328)	(4,335)
Transportation	(1,657)	(1,018)	(950)	(430)	(153)
Operating netback	54,477	48,854	35,896	30,851	9,215
Interest income	-	-	-	-	726
G&A – cash charge	(3,545)	(2,216)	(2,108)	(1,987)	(987)
Cash financial charges	(1,862)	(2,756)	(2,861)	(2,584)	(1,677)
Cash taxes	(603)	(170)	(295)	(209)	(80)
Funds from operations	48,467	43,712	30,632	26,071	7,197
Per unit	– Basic	1.33	1.37	1.02	0.95
	– Diluted	1.26	1.23	0.88	0.80
Cash provided by operating activities	47,285	42,922	24,095	18,917	9,392
Net income	25,447	20,525	12,201	5,887	1,045
Per unit	– Basic	0.70	0.68	0.41	0.21
	– Diluted	0.69	0.63	0.40	0.21
Cash distributions declared	24,316	17,023	16,284	14,962	9,777
Per unit	0.63	0.54	0.54	0.54	0.36
Payout ratio	50%	39%	53%	57%	136%
Capital expenditures	20,215	23,851	14,086	14,387	5,057
Non-cash capital divestitures	(14,636)	-	-	-	(33,456)
Corporate acquisitions	116,509	-	61,000	-	587,164
Market value of investments	-	-	-	-	-
Bank debt	123,455	124,185	131,755	101,850	89,220
Working capital deficiency	26,575	16,467	11,602	12,256	20,820
Convertible debentures	9,219	22,117	72,919	73,083	77,718
Total assets	841,254	689,297	676,212	610,970	615,486
Units outstanding (000s)					
Basic	40,806	33,767	30,113	27,904	27,119
Diluted	43,854	37,501	37,334	34,933	34,409
Operations					
Average daily production					
Natural gas (mcf/d)	54,438	54,096	57,890	58,875	58,264
Light oil (bbls/d)	2,368	2,527	2,292	2,721	2,671
Heavy oil (bbls/d)	2,460	2,096	1,937	-	-
NGLs (bbls/d)	814	785	771	892	846
Oil & NGLs (bbls/d)	5,642	5,408	5,000	3,613	3,517
Combined (boe/d)	14,715	14,424	14,648	13,426	13,228
Average prices received					
Natural gas (\$/mcf)	\$ 11.91	\$ 9.26	\$ 7.51	\$ 6.86	\$ 6.89
Light oil (\$/bbl)	63.40	68.98	62.80	56.49	44.29
Heavy oil (\$/bbl)	33.06	51.94	23.49	-	-
NGLs (\$/bbl)	58.79	56.56	52.71	46.35	45.34
Oil & NGLs (\$/bbl)	\$ 49.52	\$ 60.57	\$ 46.02	\$ 53.99	\$ 44.54
Combined (\$/boe)	\$ 63.24	\$ 57.61	\$ 45.41	\$ 44.68	\$ 42.37
Wells drilled - gross (net)	34 (21.7)	15 (6.9)	5 (3.4)	17 (8.6)	4 (2.1)

The 2004 financial results reflect the activities of Daylight from October 21, 2004 to December 31, 2004. Active oil and gas operations commenced subsequent to the Plan of Arrangement on November 30, 2004 and Operations information above applies to that one month period.

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Annual Information

Financial

(in thousands of dollars, except unit, per unit and boe data)

	2007	2006	2005	2004
Petroleum and natural gas revenues	\$ 366,956	\$ 297,333	\$ 276,573	\$ 17,377
Royalties	(67,767)	(57,281)	(49,977)	(3,674)
Realized gain (loss) on commodity derivatives	6,967	(42)	(390)	-
Operating expenses	(93,866)	(67,354)	(52,073)	(4,335)
Transportation	(7,857)	(6,493)	(4,055)	(153)
Operating netback	204,433	166,163	170,078	9,215
Interest income	-	-	-	726
G&A – cash charge	(15,233)	(13,181)	(9,856)	(987)
Cash financial charges	(23,271)	(11,199)	(10,063)	(1,677)
Cash taxes	-	(58)	(1,277)	(80)
Funds from operations	165,929	141,725	148,882	7,197
Per unit				
– Basic	2.16	2.80	4.59	0.36
– Diluted	2.10	2.71	4.20	0.35
Cash provided by operating activities	167,385	113,105	133,219	9,392
Net income (loss)	(96,267)	(257,823)	64,060	1,045
Per unit				
– Basic	(1.26)	(5.09)	2.06	0.06
– Diluted	(1.26)	(5.09)	1.99	0.06
Cash distributions declared	118,891	127,922	72,585	9,777
Per unit				
– Basic	1.55	2.47	2.26	0.36
– Diluted	72%	n/a ⁽¹⁾	49%	136%
Capital expenditures	96,380	125,531	72,539	5,057
Non-cash capital divestitures	-	(27,728)	(14,636)	(33,456)
Corporate acquisitions	-	527,691	177,509	587,164
Market value of investments	13,068	22,860	-	-
Bank debt	257,342	349,336	123,455	89,220
Working capital deficiency	32,088	15,561	26,575	20,820
Convertible debentures	119,792	3,515	9,219	77,718
Total assets	922,344	1,114,085	841,254	615,486
Units outstanding (000s)				
Basic	77,657	74,322	40,806	27,119
Diluted	93,850	75,309	43,854	34,409
Operations				
Average daily production				
Natural gas (mcf/d)	73,279	63,648	56,306	58,264
Light oil (bbls/d)	4,526	3,269	2,476	2,671
Heavy oil (bbls/d)	2,447	2,709	1,631	-
NGLs (bbls/d)	1,275	908	815	846
Oil & NGLs (bbls/d)	8,248	6,886	4,922	3,517
Combined (boe/d)	20,461	17,494	14,307	13,228
Average prices received				
Natural gas (\$/mcf)	\$ 6.61	\$ 6.61	\$ 8.84	\$ 6.89
Light oil (\$/bbl)	71.54	67.15	62.83	44.29
Heavy oil (\$/bbl)	48.52	44.24	36.35	-
NGLs (\$/bbl)	57.99	58.09	53.47	45.34
Oil & NGLs (\$/bbl)	\$ 62.62	\$ 56.94	\$ 52.51	\$ 44.54
Combined (\$/boe)	\$ 49.14	\$ 46.57	\$ 52.97	\$ 42.37
Wells drilled - gross (net)	44 (27.3)	47 (27.6)	71 (40.6)	4 (2.1)

⁽¹⁾ On a proforma basis, if the Sequoia acquisition had been completed on September 1, 2006, the payout ratio would have been 83% for 2006.

The 2004 financial results reflect the activities of Daylight from October 21, 2004 to December 31, 2004. Active oil and gas operations commenced subsequent to the Plan of Arrangement on November 30, 2004 and Operations information above applies to that one month period.

Dated March 4, 2008

MANAGEMENT'S RESPONSIBILITY STATEMENT

The consolidated financial statements of Daylight Resources Trust and all information in this report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include amounts that are based on estimates, which have been objectively developed by management using all relevant information. All financial and operating data in this report is consistent with the information in the consolidated financial statements.

Daylight Resources Trust maintains appropriate systems of internal control to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or misuse and financial records are properly maintained to provide reliable information for the preparation of financial statements. Daylight Resources Trust has effective disclosure controls and procedures to ensure timely and accurate disclosure of material information relating to the Trust which complies with the current requirements of Canadian securities legislation.

KPMG LLP, an independent firm of chartered accountants, has been engaged to examine the financial statements and provide their auditor's report. Their report is presented with the consolidated financial statements.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee is comprised entirely of independent directors and meets regularly with management and with the Trust's external auditors to discuss the results of their audit examination and to review issues related thereto. The external auditors have full access to the Audit Committee with and without the presence of management. The Audit Committee reviews the consolidated financial statements and Management's Discussion and Analysis and recommends their approval to the Board of Directors.

Signed *“Anthony Lambert”*

Signed *“Steve Nielsen”*

Anthony Lambert
President and CEO

Steve Nielsen
Vice President and CFO

Calgary, Alberta
March 4, 2008

DAYLIGHT RESOURCES TRUST

AUDITORS' REPORT TO THE UNITHOLDERS

We have audited the consolidated balance sheets of Daylight Resources Trust as at December 31, 2007 and 2006 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Signed "*KPMG LLP*"

Chartered Accountants

Calgary, Canada
March 4, 2008

Consolidated Balance Sheets

As at December 31,

(in thousands of dollars)

	2007	2006
Assets		
Current assets		
Accounts receivable	\$ 47,311	\$ 58,802
Unrealized gain on derivatives (note 15)	- -	7,063
Prepaid expenses and deposits	3,201	4,531
	50,512	70,396
Investments (notes 2 and 4)	13,068	18,498
Petroleum and natural gas assets (note 5)	854,464	895,801
Deferred financing charges (notes 2 and 10)	208	400
Future income taxes (note 14)	4,092	-
Goodwill (notes 3 and 6)	- -	128,990
	\$ 922,344	\$ 1,114,085
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 73,902	\$ 68,146
Current portion of capital lease obligations (note 8)	932	3,318
Distributions payable	7,766	14,493
Current portion of bank debt (note 7)	- -	39,336
	82,600	125,293
Bank debt (note 7)	257,342	310,000
Capital lease obligations (note 8)	- -	857
Convertible debentures (note 9)	119,792	3,515
Asset retirement obligations (note 11)	22,458	23,294
Future income taxes (note 14)	- -	33,504
	482,192	496,463
Unitholders' Equity		
Unitholders' capital (note 12)	1,083,664	1,053,317
Contributed surplus (note 12)	2,437	562
Equity component of convertible debentures (note 9)	3,724	104
Deficit	(649,673)	(436,361)
	440,152	617,622
	\$ 922,344	\$ 1,114,085

Commitments (note 17)

See accompanying notes to consolidated financial statements

On behalf of the Board of Directors:

Signed

“Graham Wilson”

Signed

“Fred Woods”

Director

Director

DAYLIGHT RESOURCES TRUST

Consolidated Statements of Loss, Comprehensive Loss and Deficit
Years ended December 31,

(in thousands of dollars, except per unit amounts)

	2007	2006
Revenues		
Petroleum and natural gas	\$ 366,956	\$ 297,333
Royalties	(67,767)	(57,281)
Gain (loss) on financial instruments (note 15)	(3,498)	6,024
	295,691	246,076
Expenses		
Operating	93,866	67,354
Transportation	7,857	6,493
General and administrative	20,095	34,032
Plan of arrangement costs (note 3)	-	4,808
Financial charges (note 10)	23,860	11,372
Loss on equity investment (note 4)	1,861	274
Depletion, depreciation and accretion	142,470	111,113
Write down of equity investment (note 4)	2,338	-
Write down of goodwill (note 6)	137,947	301,000
	430,294	536,446
Loss before taxes and non-controlling interest	(134,603)	(290,370)
Taxes		
Current taxes	-	58
Future taxes reduction (note 14)	(38,336)	(33,234)
	(38,336)	(33,176)
Loss before non-controlling interest	(96,267)	(257,194)
Non-controlling interest - exchangeable shares	-	629
Net loss and comprehensive loss	(96,267)	(257,823)
Deficit, beginning of year	(436,361)	(32,492)
Change in accounting policy (note 2)	1,846	-
Distributions (note 12)	(118,891)	(146,046)
Deficit, end of year	\$ (649,673)	\$ (436,361)
Net loss per unit (note 12)		
Basic	\$ (1.26)	\$ (5.09)
Diluted	\$ (1.26)	\$ (5.09)

See accompanying notes to consolidated financial statements.

DAYLIGHT RESOURCES TRUST

Consolidated Statements of Cash Flows Years ended December 31,

(in thousands of dollars)

	2007	2006
Cash provided by (used in):		
Operating		
Net loss	\$ (96,267)	\$ (257,823)
Items not affecting cash:		
Depletion, depreciation and accretion	142,470	111,113
Write down of goodwill (note 6)	137,947	301,000
Write down of equity investment (note 4)	2,338	-
Non-controlling interest - exchangeable shares	-	629
Future taxes reduction	(38,336)	(33,234)
Non-cash financial charges (note 10)	589	173
Unit based compensation	4,862	20,851
Unrealized (gain) loss on financial instruments	10,465	(6,066)
Equity loss on investments	1,861	274
Plan of arrangement costs settled with units	-	1,243
Asset retirement expenditures (note 11)	(3,929)	(6,968)
Change in non-cash operating working capital (note 13)	5,385	(18,087)
Cash provided by operating activities	167,385	113,105
Financing		
Bank debt	(91,994)	122,186
Convertible debentures issued, net of issue costs	119,500	-
Issue of trust units, net of issue costs (note 12)	922	(2,828)
Cash distribution to unitholders	(102,556)	(99,672)
Repayments on obligation under capital lease	(3,243)	(540)
Change in non-cash financing working capital (note 13)	3,079	(307)
Cash provided by (used in) financing activities	(74,292)	18,839
Investing		
Petroleum and natural gas asset additions	(96,380)	(125,531)
Investment (note 4)	-	(120)
Corporate acquisition costs (note 3)	-	(4,921)
Change in non-cash investing working capital (note 13)	3,287	(1,372)
Cash used in investing activities	(93,093)	(131,944)
Change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

Cash is defined as cash and cash equivalents.

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2007 and 2006

(Tabular amounts are stated in thousands of dollars except unit, share, and per unit amounts.)

Daylight Resources Trust (formerly Daylight Energy Trust – see note 3) ("Daylight" or the "Trust") is an open-ended, unincorporated investment trust governed by the laws of the Province of Alberta pursuant to a Trust Indenture. Valiant Trust Company has been appointed trustee under the Trust Indenture. The beneficiaries of the Trust are the holders of the Trust units ("unitholders").

The purpose of the Trust is to explore for, develop and hold interests in petroleum and natural gas properties, through investments in securities of subsidiaries and royalty interests in oil and natural gas properties. The business of the Trust is carried on by Daylight Energy Ltd. ("Daylight Energy") and its subsidiaries. The Trust owns 100% of the common shares of Daylight Energy. The activities of Daylight Energy are financed through internally generated funds from operations and third party debt as described in note 7.

Pursuant to the terms of an agreement (the "NPI Agreement"), the Trust is entitled to a payment from Daylight Energy each month equal to the amount by which 99% of the gross proceeds from the sale of production exceed 99% of certain deductible expenditures as defined under the terms of the NPI Agreement. Deductible expenditures may include amounts, determined on a discretionary basis, to fund capital expenditures, to repay debt and to provide for working capital required to carry out the operations of Daylight Energy.

The Trust may declare payable to the unitholders all or any part of the net income of the Trust earned from the income generated under the NPI Agreement, and from any dividends paid on the common shares of Daylight Energy, less any expenses of the Trust, including interest on convertible debentures. The Trust intends to continue to make cash distributions, however, these distributions cannot be guaranteed.

Daylight is involved in the exploitation, development and production of petroleum and natural gas in Alberta, British Columbia and Saskatchewan.

1. Significant Accounting Policies

The consolidated financial statements are stated in Canadian dollars, have been prepared by management, in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Trust and its wholly owned subsidiaries. Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual results may differ materially from those estimates.

Specifically, the amounts recorded for the depletion and depreciation of petroleum and natural gas assets and for the accretion of asset retirement obligations are based on estimates. The ceiling test is based on estimates of reserves, production rates, oil and gas prices, future costs and other relevant assumptions. The amounts for unit based compensation are based on estimates of unit price and performance factors, while the fair value estimates for derivatives are based on expected future oil and gas prices. Future income taxes are based on estimates as to the timing of the reversal of temporary differences, and tax rates currently substantively enacted. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material.

Principles of Consolidation

The consolidated financial statements include the accounts of the Trust, its subsidiaries and one partnership. Any reference to "the Trust" throughout these consolidated financial statements refers to the Trust and its subsidiaries. All inter-entity balances and transactions have been eliminated.

Petroleum and Natural Gas Assets

Daylight follows the full cost method of accounting for petroleum and natural gas operations whereby all costs related to the acquisition, exploration and development of petroleum and natural gas reserves are capitalized and accumulated in one cost centre as all operations are in Canada. Such costs include lease acquisition costs, geological and geophysical costs, carrying charges of non-producing properties, costs of drilling both productive and non-productive wells, the cost of petroleum and natural gas production equipment, asset retirement costs and overhead charges related to exploration and development activities.

Daylight evaluates its petroleum and natural gas assets in each reporting period to determine that the costs are recoverable and the costs do not exceed the fair value of the properties. If the sum of the undiscounted cash flows expected from the production of proved reserves and the lower of cost and market of unproved properties exceed the carrying value of the petroleum and natural gas assets, the costs are considered recoverable. If the carrying value of the petroleum and natural gas assets is not considered to be recoverable, an impairment loss is recognized and charged against net income to the extent that the carrying value exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of cost and market of unproved properties. The cash flows are estimated using the future product prices and costs and are discounted using a risk-free rate.

Proceeds from the disposition of petroleum and natural gas properties are applied against capitalized costs except for dispositions that would change the rate of depletion and depreciation by 20% or more, in which case a gain or loss would be recorded.

Depletion of petroleum and natural gas assets and depreciation of production equipment are calculated using the unit-of-production method, based on volumes of total proved petroleum and natural gas reserves and production, before royalties, converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil, calculated in accordance with National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities. The depletable base includes all capitalized costs, excluding undeveloped lands, plus estimated future development costs of proved undeveloped reserves, and future estimated asset retirement costs.

The cost of acquisition and evaluation of unproved properties are initially excluded from the depletion calculation. A separate impairment test is performed on these assets to determine whether the carrying value exceeds the fair value. Any excess in carrying value over fair value is an impairment. When proved reserves are assigned or a property is considered to be impaired, the cost of the property or the amount of the impairment will be added to the capitalized costs for the calculation of depletion.

Goodwill

The Trust must record goodwill relating to a corporate acquisition when the total purchase price exceeds the fair value for accounting purposes of the net identifiable assets and liabilities of the acquired company. The goodwill balance is assessed for impairment annually at year-end or as events occur that could result in an impairment. Impairment is recognized based on the fair value of the reporting entity (consolidated Trust) compared to the book value of the reporting entity. If the fair value of the consolidated Trust is less than the book value, impairment is measured by allocating the fair value of the consolidated Trust to the identifiable assets and liabilities as if the Trust had been acquired in a business combination for a purchase price equal to its fair value. The excess of the fair value of the consolidated trust over the amounts assigned to the identifiable assets and liabilities is the fair value of the goodwill. Any excess of the book value of goodwill over this implied fair value of goodwill is the impairment amount. Impairment is charged to net income in the period in which it occurs. Goodwill is stated at cost less impairment and is not amortized.

Asset Retirement Obligations

Daylight recognizes the fair value of an Asset Retirement Obligation ("ARO") in the period in which it is incurred when a reasonable estimate of the fair value can be made. On a periodic basis, management will review these estimates and changes, if any, to the estimate will be applied on a prospective basis. The fair value of the estimated ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a unit-of-production basis over the life of the reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost would also result in an increase or decrease to the ARO. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded.

Revenue Recognition

Revenue associated with the sale of crude oil, natural gas and natural gas liquids ("NGLs") is recognized when legal title passes to the purchaser.

Transportation

Costs paid by the Trust for the transportation of natural gas, crude oil, and NGLs from the wellhead to the point of title transfer are recognized when the transportation is provided.

Taxes

Daylight is a taxable entity under the Canadian Income Tax Act and until 2011 is taxable only on income that is not distributed or distributable to its unitholders. Commencing in 2011, distributions paid to unitholders will not be deductible for tax and Daylight will be taxed on its income similar to corporations.

The Trust follows the asset and liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements of Daylight Energy and its wholly owned subsidiaries and their respective tax basis, using substantively enacted income tax rates expected to be in effect when the temporary differences are anticipated to reverse. In addition, income tax liabilities and assets are recognized for the estimated tax consequences of temporary differences arising in Daylight that reverse after 2011. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in net income in the period that the change occurs.

Joint Operations

Daylight conducts development and production activities jointly with others. These financial statements only reflect Daylight's proportionate interest in such activities.

Cash and Cash Equivalents

Daylight considers cash and investments with a maturity of three months or less to be cash equivalents.

Investments

Investments are comprised of common shares of publicly traded companies. Investments in which the Trust may exercise significant influence are accounted for using the equity method where the recorded amount of the investment is increased or decreased for the Trust's ownership percentage of the companies' net earnings or loss and reduced by dividends paid to the Trust. The Trust evaluates the carrying value of its equity investments at least annually or more frequently should economic events dictate. If there has been a decline in value of an investment, other than a temporary decline, the investment is written down to its market value and the impairment charged to net income.

Investments in which the Trust does not exercise significant influence are classified as financial assets held for trading. Financial assets held for trading are initially recorded at their fair value with changes in their fair value recognized in net income.

Unit Based Compensation

The Trust has established a unit award incentive plan for employees, officers, directors and other service providers. The Trust uses the fair value method for valuing unit based compensation. Under this method, compensation cost attributable to the unit awards are measured at the fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon settlement of the unit awards, the previously recognized value in contributed surplus will be recorded as an increase to Unitholders' capital.

Per Unit Information

Basic income per unit is calculated using the weighted average number of units outstanding during the year adjusted for the impact of units to be issued on the conversion of exchangeable shares. Diluted income per unit is calculated using the treasury stock method to determine the dilutive effects of convertible debentures and grants under the unit award incentive plan.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition, all financial instruments, including all derivatives, are recognized on the balance sheet at fair value. Subsequent measurement is then based on the financial instruments being classified into one of five categories: held for trading, held to maturity, loans and receivables, available for sale and other liabilities. The Trust has designated its cash and cash equivalents and investments, other than equity investments, as held for trading which are measured at fair value. Accounts receivable are classified as loans and receivables which are measured at amortized cost. Accounts payable and accrued liabilities, distributions payable and bank debt are classified as other liabilities which are measured at amortized cost, which is determined using the effective interest method. The convertible debentures are classified as debt on the balance sheet with a portion of the proceeds allocated to equity. The debt component has been measured at amortized cost.

The Trust is exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations. A variety of derivative instruments may be used by

the Trust to reduce its exposure to fluctuations in commodity prices, foreign exchange rates, and interest rates. The Trust does not use these derivative instruments for trading or speculative purposes. The Trust considers all of these transactions to be economic hedges, however, the majority of the Trust's contracts do not qualify or have not been designated as hedges for accounting purposes. As a result, all derivative contracts are classified as held for trading and are recorded on the balance sheet at fair value, with changes in the fair value recognized in net income, unless specific hedge criteria are met. The fair values of these derivative instruments are based on an estimate of the amounts that would have been received or paid to settle these instruments prior to maturity given future market prices and other relevant factors. Proceeds and costs realized from holding the derivative contracts are recognized in net income at the time each transaction under a contract is settled.

The Trust has elected to account for its physical delivery sales contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts on an accrual basis rather than as non-financial derivatives.

The Trust measures and recognizes embedded derivatives separately from the host contracts when the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, when it meets the definition of a derivative and when the entire contract is not measured at fair value. Embedded derivatives are recorded at fair value.

The Trust nets all transaction costs incurred, in relation to the acquisition of a financial asset or liability, against the related financial asset or liability. In accordance with this policy convertible debentures are recorded net of issue costs and bank debt is presented net of deferred interest payments, with interest recognized in net income on an effective interest basis.

The Trust applies trade-date accounting for the recognition of a purchase or sale of cash equivalents, investments and derivative contracts.

Presentation

Certain prior period balances have been reclassified to conform to the current period's presentation.

2. Changes in Accounting Policies

The Trust adopted the new Canadian accounting standards for *Comprehensive Income, Financial Instruments – Recognition and Measurement, Financial Instruments – Presentation and Disclosure, and Hedges* on January 1, 2007 on a retroactive basis without restatement of prior periods.

The impact on these consolidated financial statements on adoption of the above policies is as follows:

On January 1, 2007, the Trust classified its investments in the shares of Trafalgar Energy Ltd. ("Trafalgar") and Pegasus Oil & Gas Inc. ("Pegasus") as financial assets held for trading as the Trust does not exercise significant influence over these entities. As a result, the Trust recorded an increase to investments of \$2.2 million, an increase to future taxes of \$0.3 million and a \$1.8 million decrease to the deficit within Unitholders' Equity. The Trust will continue to record these investments at their fair value with changes in their fair value recognized in net income.

As the Trust may exercise significant influence over Avery Resources Inc. ("Avery"), its investment in the shares of Avery continues to be accounted for using the equity method where the recorded amount of the investment is increased or decreased for the Trust's ownership percentage of Avery's net income or loss, and reduced by dividends paid to the Trust. Although the investment in Avery under accounting standards

is considered to be an equity investment and accounted for using the equity method, the Trust continues to consider all investments as available for disposition.

Long-term financial liabilities are measured at fair value when initially recognized and, after initial recognition, at amortized cost using the effective interest method. Transaction costs directly attributable to the issuance of long-term financial liabilities are now added to the fair value on initial recognition. Previously, these amounts were recorded as a deferred charge and amortized using the straight line method over the term of the debt. On January 1, 2007, the Trust recognized the cumulative prior period effect of \$0.1 million, by reducing deferred financing costs and recording it against its convertible debentures. The application of the effective interest method for amortization is comparable to the previously used straight line method and accordingly no adjustment was made to the opening deficit.

There is no other material impact on the Consolidated Financial Statements for the adoption of these new standards.

Future Accounting Changes

The CICA has issued the following accounting standards which will be effective for the Trust from January 1, 2008: *Financial Instruments – Disclosures*, *Financial Instruments – Presentation* and *Capital Disclosures*. These new accounting standards will require the Trust to provide additional disclosures relating to its financial instruments, including hedging instruments, and about the Trust's Capital.

Also in effect for January 1, 2008 are amendments to *General Standards of Financial Statement Presentation* which includes new requirements for assessing and disclosing an entity's ability to continue as a going concern.

It is not anticipated that the adoption of these new accounting standards will impact the amounts reported in the Trust's financial statements as they primarily relate to disclosure.

On February 13, 2008, Canada's Accounting Standard Board confirmed January 1, 2011 as the effective date for complete convergence of Canadian GAAP to International Financial Reporting Standards ("IFRS"). The Canadian Securities Administrators are in the process of examining changes to securities rules as a result of this initiative. Daylight will continue to monitor and assess the impact of the planned convergence of Canadian GAAP with IFRS.

3. Corporate Acquisition

Sequoia Oil & Gas Trust

On September 21, 2006, a Plan of Arrangement (the "Arrangement") between Daylight Energy Trust ("DET"), Sequoia Oil & Gas Trust ("Sequoia"), and Trafalgar was approved. As a result of the Arrangement, DET acquired Sequoia and certain interests in oil and natural gas properties were transferred to Trafalgar in exchange for common shares and arrangement warrants which were distributed to the DET and Sequoia Unitholders (see note 12(e)) with a portion of the Trafalgar common shares remaining with Daylight (see note 4).

Under the Arrangement, each DET Unitholder received 0.6642 units of Daylight for each one DET unit held and Daylight Exchangeable Shareholders received 0.6642 units of Daylight for each DET unit the Exchangeable Shares held were equivalent to at the closing date of the Arrangement. Under the Arrangement each Sequoia Unitholder received 0.8250 units of Daylight for each one Sequoia unit held. The DET Unitholders following the Arrangement hold in excess of 50% of the outstanding units of Daylight, resulting in a substantive change in ownership to the Sequoia net assets.

DAYLIGHT RESOURCES TRUST

As a result, Daylight Energy is deemed to be the acquirer of Sequoia and consequently has accounted for the acquisition of Sequoia under the purchase method of accounting. The operations of Sequoia have been included with the results of DET commencing September 21, 2006. The fair values allocated to the net assets acquired are as follows:

Net assets acquired:

Petroleum and natural gas assets	\$ 347,823
Goodwill	222,083
Unrealized gain on derivatives	2,970
Investments	11,076
Working capital deficiency	(18,950)
Bank debt	(103,695)
Capital lease obligations	(4,715)
Asset retirement obligations	(12,380)
Future taxes	(20,878)
Total net assets acquired	\$ 423,334

Consideration:

Trust units issued (27,475,423 units issued to Sequoia unitholders)	\$ 418,413
Transaction costs	4,921
Total purchase price	\$ 423,334

Amendments have been made to the purchase equation as the cost estimates and tax balances were finalized. As a result, the working capital deficiency and goodwill have increased \$9.0 million (see note 6) since December 31, 2006.

4. Investments

Entity	Symbol	Number of Shares	2007		2006	
			Equity or Fair Value	Cost or Equity Value	Equity or Fair Value	Cost or Equity Value
Avery Resources Inc.	ARY	21,300,000	\$ 6,603	\$ 10,802		
Trafalgar Energy Ltd.	TFL	740,240	2,073	2,976		
Pegasus Oil & Gas Inc.	POG.A	2,440,000	4,392	4,720		
Total			\$ 13,068	\$ 18,498		

In conjunction with the acquisition of Sequoia, Daylight acquired Sequoia's approximate 38% interest in the common shares of Avery and accounts for the investment using the equity method. Avery completed an equity issuance in November 2006 which Daylight did not participate in, thereby changing Daylight's ownership in Avery to approximately 28%. For the year ended December 31, 2007, the equity loss on the investment in Avery was \$1.9 million (2006 - \$0.3 million). As at December 31, 2007, the book value of the investment was in excess of the \$6.6 million (\$2006 - \$13.0 million) market value. The decline in value of the investment was considered other than temporary and a write down to its market value of \$2.3 million was charged to net income.

In conjunction with the Arrangement on September 21, 2006, Daylight transferred interests in certain oil and gas properties, based on their fair values to Trafalgar, resulting in the transfer of \$21.1 million of property and related asset retirement obligations of \$2.2 million. In exchange, Trafalgar common shares and arrangement warrants were received, of which Daylight retained 740,240 common shares with a value of \$3.0 million. The remaining common shares and arrangement warrants were distributed to DET securityholders and Sequoia unitholders (see note 12(e)). As of January 1, 2007 under the new accounting

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standards, Daylight accounts for this investment at fair value based on the quoted market price, rather than at cost as used in 2006.

On June 23, 2006, the Trust transferred interests in certain oil and gas properties valued at \$6.0 million, with associated asset retirement obligations of \$0.6 million, to Pegasus in exchange for 1,840,000 Class A common shares valued at \$2.50 per share and a \$1.4 million non-interest bearing promissory note. The note was secured by the oil and gas properties transferred to Pegasus, was due on December 1, 2006, and was paid in full on that date. Immediately prior to this transaction, the Trust acquired 600,000 Class A common shares of Pegasus for \$0.1 million. The investment, composed of 2,440,000 Class A common shares of Pegasus, is accounted for at fair value under the new accounting standards adopted on January 1, 2007, based on the quoted market price, rather than at cost as used in 2006.

Daylight continues to consider its equity investments in Avery, Trafalgar and Pegasus as available for disposition.

5. Petroleum and Natural Gas Assets

	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	\$ 1,183,658	\$ 332,488	\$ 851,170
Other assets	5,690	2,396	3,294
Balance, December 31, 2007	\$ 1,189,348	\$ 334,884	\$ 854,464

	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	\$ 1,086,413	\$ 193,656	\$ 892,757
Other assets	4,438	1,394	3,044
Balance, December 31, 2006	\$ 1,090,851	\$ 195,050	\$ 895,801

During the year ended December 31, 2007, Daylight capitalized \$8.1 million (2006 - \$4.6 million) of general and administrative expenses related to exploration and development activities. Included in this amount is \$1.3 million of non-cash unit-based compensation and the related tax effect of \$0.4 million. Future development costs of \$88.9 million (2006 - \$56.2 million) associated with proven reserves were included in the depletion and depreciation calculation. Future salvage value of production equipment and facilities of \$33.3 million (2006 - \$38.4 million) and a cost of \$36.5 million (2006 - \$49.4 million) for unproven properties have been excluded from the depletion and depreciation calculation.

At December 31, 2007 Daylight applied a ceiling test to its petroleum and natural gas assets and determined that no impairment has occurred. The ceiling test was calculated using the following expected future market prices:

Benchmark reference price forecast	2011 to									
	2008	2009	2010	2013	2014	2015	2016	2017	2018	
WTI (\$US/bbl)	92.00	88.00	84.00	82.00	82.00	82.00	82.02	83.66	85.33	
Edmonton Par (\$Cdn/bbl)	91.10	87.10	83.10	81.10	81.10	81.10	81.12	82.76	84.42	
AECO (\$Cdn/mcf)	6.75	7.55	7.60	7.60	7.80	7.97	8.14	8.31	8.48	
Exchange rate (\$Cdn/\$US)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	

After 2018 the price forecast for WTI, Edmonton Par and AECO escalate at 2% per year to the end of the reserve life and the exchange rate remains constant at 1.00.

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6. Goodwill

The Trust reviewed the valuation of goodwill as of December 31, 2007 and determined that the fair value of the reporting unit had declined. Based upon this review, an impairment of goodwill of \$137.9 million (2006 - \$301.0 million) has been recorded as a non-cash charge to net income as of December 31, 2007. There has been no impairment to the value of Daylight's petroleum and natural gas assets during 2007 or 2006. Although the overall fair value of the reporting unit was less than the carrying value, resulting in the requirement to assess the goodwill balance for impairment, it was ultimately the strength in our petroleum and natural gas reserves fair value, which is not reflected in these financial statements, that resulted in the need to write-down the goodwill balance at year-end.

	2007	2006
Balance, beginning of year	\$ 128,990	\$ 216,864
Sequoia acquisition (note 3)	8,957	213,126
Goodwill impairment recognized	(137,947)	(301,000)
Balance, end of year	\$ -	\$ 128,990

7. Bank Debt

Daylight has a total of \$300 million (2006 - \$310 million) available under a revolving term credit facility with a syndicate of banks of which \$257 million was drawn at December 31, 2007. During 2007, the Trust repaid the \$70 million bridge facility that was outstanding as at December 31, 2006 and due in 2007. The effective interest rate for the bank debt was 6.0% for the year ended December 31, 2007 (2006 – 5.1%). The credit facility bears interest based on the lenders' prime rate and/or at money market rates plus a stamping fee. The facility is secured with a demand debenture of \$500 million over the petroleum and natural gas assets and is subject to semi-annual review where the lenders may re-determine the borrowing base.

Pursuant to the terms of the revolving credit facility dated September 21, 2006, Daylight may, with the bank's approval, extend the revolving period for a further 364 day period. If not extended, the revolving facility will automatically convert to a one year and one day non-revolving term facility with the entire payment due on the 366th day after commencement of the term period. The next scheduled review date for the revolving credit facility is on or prior to May 31, 2008.

8. Capital Leases

In conjunction with the Arrangement, Daylight acquired capital lease agreements for oil and gas equipment. The lease obligations expire in 2008 with the Trust required to make minimum lease payments of \$1.0 million consisting of interest of \$0.1 million and principal of \$0.9 million.

9. Convertible Debentures

On October 3, 2007, Daylight issued \$125 million principal amount of 8.5% Convertible Unsecured Subordinated Debentures, Series B ("Series B Debentures") for net proceeds of \$119.5 million. The Series B Debentures pay interest semi-annually on October 31 and April 30, commencing with the initial interest payment on April 30, 2008 and have a maturity date of October 31, 2012. The Series B Debentures are convertible at the option of the holder to Trust Units at a conversion price of \$8.60 per Trust Unit. The Trust has the option to redeem the Series B Debentures at a price of \$1,050 per Series B Debenture after October 31, 2010 and on or before October 31, 2011 and at a price of \$1,025 per Series B Debenture after October 31, 2011 and before October 31, 2012. On redemption or maturity the Trust may elect to satisfy its obligations to repay the principal and interest obligations by issuing Daylight Trust Units.

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The Series B Debentures were initially recorded at the fair value of the obligation without the conversion feature. This obligation to make future payments of principal and interest was determined to be \$121.4 million. The difference between the principal amount of \$125 million and the fair value of the obligation is \$3.6 million and has been recorded in unitholders' equity as the fair value of the conversion feature of the Series B Debentures. The Series B Debenture liability has been further reduced by \$5.5 million for associated transaction costs.

On October 21, 2004, Daylight issued \$80 million principal amount of 8.5% Convertible Unsecured Subordinated Debentures, Series A ("Series A Debentures") for net proceeds of \$76.8 million. Issue costs of \$3.2 million were initially classified as deferred financing charges. Due to the change in accounting policy as disclosed in note 2, the balance of the unamortized costs of \$0.1 million were recorded against the convertible debenture.

The Series A Debentures pay interest semi-annually on June 1 and December 1 and have a maturity date of December 1, 2009. Series A Debentures are convertible at the option of the holder to Trust Units at a conversion price of \$14.07888 per Trust Unit. Daylight has the option to redeem the Series A Debentures at a price of \$1,050 per Series A Debenture after December 1, 2007 and on or before December 1, 2008, at a price of \$1,025 per Series A Debenture after December 1, 2008 and on or before December 1, 2009 and on maturity at \$1,000 per Series A Debenture. On redemption or maturity the Trust may elect to satisfy its obligations to repay the principal and interest obligations by issuing Daylight Trust Units.

The Series A Debentures were initially recorded at the fair value of the obligation without the conversion feature. This obligation to make future payments of principal and interest was determined to be \$77.7 million. The difference between the principal amount of \$80 million and the fair value of the obligation is \$2.3 million and has been recorded in unitholders' equity as the fair value of the conversion feature of the Series A Debentures.

The following table indicates the Convertible Debenture activities, which include the Series A Debentures and Series B Debentures, for the years ended December 31, 2007 and 2006:

	Face Value	Debt Component	Equity Component
Balance, December 31, 2005	\$ 9,433	\$ 9,219	\$ 274
Accretion and amortization	-	27	-
Conversion to Trust Units	(5,857)	(5,731)	(170)
Balance, December 31, 2006	\$ 3,576	\$ 3,515	\$ 104
Issued, October 3, 2007	125,000	121,380	3,620
Transaction costs on October 31, 2007 issuance	-	(5,500)	-
Transaction costs on change in accounting policy (note 2)	-	(83)	-
Accretion and amortization	-	480	-
Balance, December 31, 2007	\$ 128,576	\$ 119,792	\$ 3,724

10. Financial Charges

During the years ended December 31, 2007 and 2006, Daylight incurred interest charges on the bank debt and the convertible debentures as well as the amortization of financial charges and accretion of the convertible debenture liability as follows:

	2007	2006
Bank debt interest	\$ 20,347	\$ 10,763
Convertible debenture interest	2,924	436
Amortization of financial charges	109	146
Accretion of convertible debenture liability	480	27
Total	\$ 23,860	\$ 11,372

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A reconciliation of the deferred financing charges is provided as follows:

	2007	2006
Balance, beginning of year	\$ 400	\$ 720
Change in accounting policy (note 2)	(83)	-
Amortization	(109)	(146)
Conversion to Trust Units	-	(174)
Balance, end of year	\$ 208	\$ 400

11. Asset Retirement Obligations

Daylight's asset retirement obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. Daylight estimates the total undiscounted amount of cash flow required to settle its asset retirement obligations is approximately \$107.3 million (2006 - \$104.1 million) which will be incurred between 2008 and 2056. The majority of the costs will be incurred between 2008 and 2031. An inflation factor of 2% has been applied to the estimated asset retirement cost at December 31, 2007 and 2006. A credit-adjusted risk-free rate of 8% was used to calculate the fair value of the asset retirement obligations at December 31, 2007 and 2006.

A reconciliation of the asset retirement obligations is provided as follows:

	2007	2006
Balance, beginning of year	\$ 23,294	\$ 18,179
Sequoia acquisition (note 3)	-	12,380
Liabilities incurred	457	585
Liabilities settled	(3,929)	(6,968)
Liabilities transferred to Pegasus (note 4)	-	(613)
Liabilities transferred to Trafalgar (note 12(e))	-	(2,230)
Accretion expense	2,636	1,961
Balance, end of year	\$ 22,458	\$ 23,294

12. Unitholders' Equity

The Trust Indenture provides that an unlimited number of trust units may be authorized and issued. Each trust unit is transferable, carries the right to one vote and represents an equal undivided beneficial interest in any distributions from the Trust and in the assets of the Trust in the event of termination or winding-up of the Trust. All trust units are of the same class with equal rights and privileges.

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a) Trust Units

	Number of Units	Amount
Trust units:		
Balance, December 31, 2005	61,435,965	\$ 565,128
Issued on retraction of exchangeable shares	2,130,342	20,051
Issued on conversion of debentures	616,516	5,727
Issued through DRIP Plan	259,326	2,829
Issued on vesting of unit awards	2,385,757	18,499
Unit issue costs	-	(442)
Balance, prior to Arrangement	66,827,906	\$ 611,792
Conversion ratio to Daylight Resources Trust Units	0.6642	-
Daylight Resources Trust Unit balance, after conversion	44,387,095	\$ 611,792
Issued on acquisition of Sequoia (note 3)	27,475,423	418,413
Issued through Premium DRIP™	1,898,758	19,529
Issued on vesting of unit awards	20,374	223
Issued through employee unit ownership plan	52,588	569
Issued through employee bonus plan	487,939	5,464
Issued through optional cash purchase plan	91	1
Unit issue costs	-	(2,674)
Balance, December 31, 2006	74,322,268	\$ 1,053,317
Issued through Premium DRIP™	2,559,950	23,062
Issued on vesting of unit awards	196,811	1,719
Issued through employee unit ownership plan	200,000	1,845
Issued through employee bonus plan	378,104	3,721
Balance, December 31, 2007	77,657,133	\$ 1,083,664

Premium Distribution Reinvestment and Optional Trust Unit Purchase Plan ("Premium DRIP™")

As part of the Arrangement, Daylight implemented a Premium Distribution Reinvestment and Optional Trust Unit Purchase Plan ("Premium DRIP™") for eligible unitholders of the Trust. On distribution payment dates eligible Premium DRIP™ unitholders may receive in lieu of the cash distribution that unitholders are otherwise entitled to receive in respect of their units, a cash payment equal to 102% of such amount. Unitholders may also reinvest their cash distributions in additional trust units at a price that is 95% of the average market price for the Pricing Period. The Pricing Period refers to the period beginning on the later of the 21st business day preceding the distribution payment date and the second business day following the record date applicable to that distribution payment date, and ending on the second business day preceding the distribution payment date. Eligible Premium DRIP™ unitholders may also make optional cash payments on this date to purchase additional trust units at a price that is equal to the average market price for the Pricing Period. During the year ended December 31, 2007 Daylight issued 2,113,577 (2006 – 1,501,474) trust units from treasury, related to unitholders electing to receive the 102% of cash distributions option, in lieu of cash distributions totalling \$19.0 million (2006 - \$15.5 million). Daylight also issued 446,373 (2006 - 397,284) trust units from treasury, related to unitholders electing to receive the 95% reinvestment price for additional units option, in lieu of cash distributions totalling \$4.1 million (2006 - \$4.0 million) in the same period. No units were issued through the optional cash purchase plan.

Distribution Reinvestment and Optional Trust Unit Purchase Plan ("DRIP")

On August 9, 2005, Daylight announced the implementation of the Distribution Reinvestment and Optional Trust Unit Purchase Plan ("DRIP") for eligible unitholders of the Trust. On distribution payment

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dates eligible DRIP unitholders may reinvest their cash distributions in additional trust units at a price that is 95% of the 10 day weighted average trading price of Daylight units. Eligible DRIP unitholders may also make optional cash payments on this date to purchase additional trust units at a price that is equal to the 10 day weighted average trading price of Daylight units. On September 21, 2006, the DRIP was replaced with the Premium DRIP™ which provides for additional elections by unitholders. During the year ended December 31, 2006, Daylight issued 259,326 DET trust units from treasury for the DRIP in lieu of cash distributions totaling \$2.8 million.

Employee Unit Ownership Plan ("EUOP")

On September 21, 2006, Daylight adopted an Employee Unit Ownership Plan ("EUOP") whereby the Trust matches every dollar contributed by each employee, to a maximum of 9% of the employee's salary. Effective November 1, 2007, the Trust matches every dollar contributed by each employee, to a maximum of 11% of the employee's salary. Under the terms of the EUOP, the Trust has the option to acquire units on behalf of employees through open market purchases or to issue new units from treasury. During the year ended December 31, 2007 the Trust elected to issue 200,000 units (\$1.8 million) from treasury in settlement of the EUOP obligations, representing the employee contributions and the Trust's matching contributions. During the year ended December 31, 2006 the Trust elected to issue 52,588 units (\$0.6 million) from treasury in settlement of the EUOP obligations, representing the employee contributions and the Trust's matching contributions. The price used to determine units issued from treasury on a monthly basis is the average market price for the period beginning on the second business day of the month and ending on the second business day preceding the monthly distribution payment date.

Redemption Right

Unitholders may redeem their trust units for cash at any time, up to a maximum of \$250,000 in any calendar month, by delivering their unit certificates to the Trustee, together with a properly completed notice of redemption. The redemption amount per trust unit will be the lesser of 90 percent of the market price of the trust units on the principal market on which they are traded during the 10 day trading period after the trust units have been validly tendered for the redemption and the closing market price of the trust units on the principal market on which they are traded on the date on which they were validly tendered for redemption, or if there was no trade of the trust units on that date, the average of the last bid and ask prices of the trust units on that date.

b) Net Loss Per Unit

The following table summarizes the weighted average trust units, exchangeable shares and convertible debentures used in calculating net loss per trust unit:

	2007	2006
Basic	76,700,329	50,626,430
Diluted	76,700,329	50,626,430

A total of 3,837,941 units attributable to convertible debentures and 1,134,390 Restricted and Performance units were excluded from the calculation for the year ended December 31, 2007 as they were not dilutive due to the net loss reported. A total of 549,821 units attributable to exchangeable shares, 363,902 units attributable to convertible debentures and 905,460 Restricted and Performance units were excluded from the calculation for the year ended December 31, 2006 as they were not dilutive due to the net loss reported. Diluted net income per unit reflects the add back of interest and accretion expense on convertible debentures and non-controlling interest. Interest and accretion for the

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year ended December 31, 2007 was \$3.4 million (2006 - \$0.5 million). Non-controlling interest for the year ended December 31, 2007 was nil (2006 - \$0.6 million).

c) Unit Award Incentive Plan

Daylight has a Unit Award Incentive Plan which allows the Board of Directors to grant up to 5% of the trust units outstanding, including trust units which may be issued on exchange of exchangeable shares, as Restricted and/or Performance Unit Awards to directors, officers, employees and service providers of Daylight and its affiliates. The Restricted Unit Awards and Performance Unit Awards vest over a three-year period. The number of units issued under the Performance Unit Awards granted is also subject to a performance multiplier and is dependent on the performance of the Trust relative to a peer comparison group of oil and gas trusts. A holder of a Restricted or Performance Unit Award may elect, subject to consent of Daylight, to receive cash upon vesting in lieu of the number of units held. The plan provides for adjustments to the number of units issued based on the cumulative distributions of the Trust during the period that the Restricted or Performance Unit Award is outstanding.

The following tables reconcile the number of restricted and performance units outstanding:

Restricted Awards	Number
Balance, December 31, 2005	1,044,350
Issued	1,011,395
Vested and converted to trust units	(1,420,523)
Forfeited	(77,689)
Balance December 31, 2006	557,533
Issued	855,365
Vested and converted to trust units	(163,081)
Forfeited	(212,397)
Balance, December 31, 2007	1,037,420
Weighted average adjustment factor	1.15513
Trust unit equivalent	1,198,358

Performance Awards	Number	Performance Multiplier	Total Number
Balance, December 31, 2005	290,000	2	580,000
Issued	135,000	-	135,000
Vested and converted to trust units	(290,000)	-	(580,000)
Balance, December 31, 2006	135,000	1	135,000
Issued	82,500	-	82,500
Forfeited	(47,500)	-	(47,500)
Balance, December 31, 2007	170,000	1	170,000
Weighted average adjustment factor			1.21168
Trust unit equivalent			205,986

The performance multiplier is calculated on an annual basis for one third of the performance units originally granted. The performance multiplier may range from 0 to 2 in any given year as determined by the Board of Directors. For the period ended September 21, 2006, a performance multiplier of 2 was granted on the units. Daylight has assumed a multiplier of 1 on the performance units for the year ended December 31, 2007, although the final multiplier may range anywhere from 0 to 2.

The fair value of the Unit Awards is determined at the date of grant and amortized through general and administrative expense over the vesting period as unit based compensation with a corresponding

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increase to contributed surplus. In conjunction with the Arrangement, all outstanding Unit Awards vested immediately prior to closing. The weighted average fair value at the date of grant for the Unit Awards granted during the year ended December 31, 2007 was \$9.16 per Unit Award (2006 - \$11.85) and \$3.6 million (2006 - \$16.3 million) was charged to general and administrative expense in the period.

d) Contributed Surplus

	Amount
Balance, December 31, 2005	\$ 2,936
Unit based compensation	16,348
Vested Unit Awards	(18,722)
Balance, December 31, 2006	\$ 562
Unit based compensation	3,594
Vested Unit Awards	(1,719)
Balance, December 31, 2007	\$ 2,437

e) Accumulated Distributions

The table below shows the cumulative distributions and the per unit equivalent for Daylight Energy Trust and Daylight Resources Trust:

Record Date	per Daylight Unit equivalent *	per DET Unit	Amount
Total 2004 cash distributions	\$ 0.36	\$ 0.24	\$ 9,777
Total 2005 cash distributions	\$ 2.26	\$ 1.50	\$ 72,585
Open Range distribution (cost base)	0.47	0.31	15,235
Total 2005 distributions	\$ 2.73	\$ 1.81	\$ 87,820
January 31, 2006	0.21	0.14	8,773
February 28, 2006	0.21	0.14	8,810
March 31, 2006	0.21	0.14	8,824
April 28, 2006	0.21	0.14	8,873
May 31, 2006	0.21	0.14	8,893
June 30, 2006	0.21	0.14	8,897
July 31, 2006	0.21	0.14	8,904
August 31, 2006	0.21	0.14	8,927
Total 2006 cash distributions	\$ 1.68	\$ 1.12	\$ 70,901
Trafalgar distribution (cost base)	0.26	0.17	11,202
Total 2006 distributions	\$ 1.94	\$ 1.29	\$ 82,103
Total distributions since inception	\$ 5.03	\$ 3.34	\$ 179,700

* may not add exactly due to rounding.

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The table below shows the cumulative distributions and per unit equivalent for Daylight Resources Trust:

Record Date	Per Unit	Amount
September 29, 2006	\$ 0.195	\$ 14,013
October 31, 2006	0.195	14,187
November 30, 2006	0.195	14,328
December 31, 2006	0.195	14,493
Total 2006 cash distributions	\$ 0.780	\$ 57,021
January 31, 2007	0.150	11,274
February 28, 2007	0.150	11,358
March 30, 2007	0.150	11,482
April 30, 2007	0.150	11,484
May 31, 2007	0.150	11,493
June 29, 2007	0.150	11,498
July 31, 2007	0.150	11,513
August 31, 2007	0.100	7,745
September 28, 2007	0.100	7,748
October 31, 2007	0.100	7,765
November 30, 2007	0.100	7,765
December 31, 2007	0.100	7,766
Total 2007 cash distributions	\$ 1.550	\$ 118,891
Total distributions since inception	\$ 2.330	\$ 175,912

As part of the Arrangement, Daylight Energy disposed of interests in certain oil and gas properties in exchange for Trafalgar common shares and arrangement warrants. Daylight retained 740,240 of the Trafalgar common shares and distributed the remaining securities to DET unitholders, Sequoia unitholders and the Daylight Energy Exchangeable Shareholders. Each DET unitholder received 0.0417 of a Trafalgar common share and 0.0116 of a Trafalgar warrant for each DET unit held. Each Sequoia unitholder received 0.0517 of a Trafalgar common share and 0.0144 of a warrant for each Sequoia unit held. The Daylight Energy exchangeable shareholders received Trafalgar common shares and warrants on the same basis as the DET unitholders based on the number of DET units into which their shares were exchangeable.

At the time of transfer, Daylight and Trafalgar were considered arms-length parties and accordingly the property disposition has been recorded at its fair value of \$21.1 million.

The disposition to Trafalgar was recorded using the following fair values:

Petroleum and natural gas assets	\$ 23,330
Asset retirement obligations (note 11)	(2,230)
Total	\$ 21,100
Distributed to DET securityholders	\$ 11,202
Distributed to Sequoia unitholders	6,922
Retained by Daylight (note 4)	2,976
Total	\$ 21,100

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13. Supplemental Cash Flow Information

	2007	2006
Changes in non-cash working capital:		
Accounts receivable	\$ 11,491	\$ 3,984
Prepaid expenses and deposits	1,330	(3,204)
Accounts payable and accrued liabilities	5,756	(12,526)
Unrealized gain on derivatives	-	1,973
Plan of arrangement costs settled with units	2,131	-
Working capital acquired on acquisition (note 3)	(8,957)	(9,993)
Change in non-cash working capital	\$ 11,751	\$ (19,766)
Relating to:		
Operating activities	\$ 5,385	\$ (18,087)
Financing activities	3,079	(307)
Investing activities	3,287	(1,372)
Change in non-cash working capital	\$ 11,751	\$ (19,766)
	2007	2006
Interest and taxes paid:		
Interest paid	\$ 20,469	\$ 11,302
Taxes paid	\$ 317	\$ 130

14. Taxes

During the second quarter of 2007, legislation was enacted that applies a tax on distributions from publicly-traded income trusts commencing in the 2011 tax year. This legislation resulted in an additional reduction of future taxes of \$2.9 million as previously unrecorded temporary differences at the Trust level were recorded.

During 2007 and 2006, the federal government also substantively enacted legislation reducing the federal tax rates. The tax rate reductions resulted in an additional future tax reduction to net income of \$2.3 million (2006 - \$4.3 million) for the year ended December 31, 2007.

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The combined provision for taxes in the consolidated statements of loss, comprehensive loss and deficit reflect an effective tax rate which differs from the expected statutory tax rate. Differences are accounted for as follows:

	2007	2006
Loss before taxes and non-controlling interest	\$(134,603)	\$(290,370)
Statutory income tax rate	32.12%	34.50%
Expected taxes	\$ (43,235)	\$ (100,178)
Add (deduct):		
Net income of the Trust	(38,219)	(54,322)
Non-deductible crown charges	-	15,558
Write down of goodwill	44,308	103,845
Unrealized gains on financial instruments	1,221	299
Resource allowance	-	(2,038)
Future tax rate reductions	(970)	(2,876)
Unit based compensation	1,562	7,443
Trust tax recognition	(2,915)	-
Other	(88)	(907)
Total	\$ (38,336)	\$ (33,176)

Future Taxes

The future tax asset (liability) at December 31 is comprised of the tax effect of temporary differences as follows:

	2007	2006
Petroleum and natural gas assets	\$ (22,029)	\$ (62,214)
Asset retirement obligations	5,669	6,988
Non-capital losses	8,849	11,488
Share issue costs	879	1,578
Attributed Canadian Royalty Income	10,645	10,645
Unrealized gain on derivatives	-	(1,989)
Unrealized loss on investments	79	-
Total	\$ 4,092	\$ (33,504)

At December 31, 2007, Daylight Energy and its subsidiaries had \$34.7 million of non-capital losses available to carry forward. The non-capital losses expire \$5.6 million in 2008, \$0.6 million in 2011, \$1.1 million in 2012, \$14.9 million in 2013 and \$12.5 million in 2015.

15. Financial Instruments

Fair Value of Financial Instruments:

Financial instruments include accounts receivable, investments, accounts payable and accrued liabilities, cash distributions payable, bank debt, and convertible debentures. Unless otherwise noted, carrying values reflect the current fair value of the Trust's financial instruments due to the short term to maturity. The Trust's investments held for trading have a fair value based on quoted market value of \$6.5 million that also represents their carrying value. The equity investment has a fair value based on quoted market value of \$6.6 million that also represents its carrying value. The Trust's bank debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value. The convertible debentures outstanding at December 31, 2007, with a face value of \$128.6 million (2006 - \$3.6 million), had a fair value based on quoted market value of \$124.7 million (2006 - \$3.7 million).

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Credit Risk:

Portions of the Trust's accounts receivable are with joint operating partners in the oil and gas industry and are subject to normal industry credit risks. Purchasers of the Trust's oil and natural gas products are subject to an internal credit review designed to mitigate the risk of non-payment.

Interest Rate Risk:

The Trust is exposed to interest rate risk to the extent that changes in market interest rates will impact the Trust's bank debt which is subject to a floating interest rate.

Foreign Currency:

While substantially all of the Trust's sales are denominated in Canadian dollars, the market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar.

Commodity Price Risk:

There were no commodity derivatives outstanding at December 31, 2007. However, subsequent to December 31, 2007, the following financial derivatives were entered into:

Type of Contract	Commodity	Hedged Volume⁽²⁾	Hedge Price	Hedge Period
Financial (Swap) ⁽¹⁾	Natural gas	20,000 GJ/d	Cdn\$6.635/GJ	Apr 1/08 to Oct 31/08
Financial (Swap) ⁽¹⁾	Natural gas	10,000 GJ/d	Cdn\$6.700/GJ	Apr 1/08 to Oct 31/08
Financial (Swap) ⁽¹⁾	Natural gas	5,000 GJ/d	Cdn\$6.745/GJ	Apr 1/08 to Oct 31/08
Financial (Swap) ⁽¹⁾	Natural gas	5,000 GJ/d	Cdn\$6.740/GJ	Apr 1/08 to Oct 31/08
Financial (Swap) ⁽¹⁾	Natural gas	5,000 GJ/d	Cdn\$7.140/GJ	Apr 1/08 to Oct 31/08
Financial (Swap) ⁽¹⁾	Natural gas	5,000 GJ/d	Cdn\$7.170/GJ	Apr 1/08 to Oct 31/08

⁽¹⁾ Swap indicates fixed price.

⁽²⁾ A GJ converts to a mcf at the rate of 1.055056 GJs per mcf.

The following table provides a summary of the gain (loss) on financial instruments for the years ended December 31, 2007 and 2006:

	2007	2006
Realized gain (loss) on commodity derivatives	\$ 6,967	\$ (42)
Unrealized gain (loss) on commodity derivatives	(7,063)	6,066
Unrealized loss on investments held for trading	(3,402)	-
Total	\$ (3,498)	\$ 6,024

16. Related Party

Prior to December 31, 2006, Daylight Energy and Midnight Oil Exploration Ltd. ("MOX") established and operated under an Administrative and Technical Services Agreement, which provided for the shared services, required to manage the activities of Daylight Energy and MOX and governed the allocation of general and administrative expenses between the entities. Under this agreement, Daylight Energy was the employer on behalf of the parties and received payment for certain technical and administrative services provided to MOX. The Administrative and Technical Services Agreement was terminated effective December 31, 2006. Certain administrative services which provide reasonable economy and do not involve competitive issues continue to be provided to MOX by Daylight Energy on a fixed fee basis which is

considered comparable to the fee an independent third party would charge for the services, has been negotiated by the parties and may be cancelled by either party.

Although the Administrative and Technical Services Agreement has been terminated, Daylight and MOX continue to be considered related, as Daylight's Chairman is a director and officer of MOX. In addition, Daylight's Chief Executive Officer and director is also a director of MOX and Daylight's Corporate Secretary is also MOX's Corporate Secretary. Daylight and MOX are joint venture partners in certain properties, and as a result, revenues and costs related to these properties are allocated to each partner under standard joint venture billing arrangements. Each partner's costs and revenues are based on the exchange amounts which reflect actual third party costs incurred and revenue received. All transactions are conducted under standard business terms and are considered within the normal course of Daylight's business activities and operations.

Pursuant to the Administrative and Technical Services Agreement, Daylight charged MOX \$3.7 million for the year ended December 31, 2006 with a receivable balance of approximately \$2.1 million due from MOX as at December 31, 2006. For the year ended December 31, 2007, Daylight charged MOX \$1.4 million for administrative services and premises costs with a payable balance, which includes joint venture and commodity marketing amounts of approximately \$4.7 million due to MOX as at December 31, 2007.

17. Commitments

The following is a summary of Daylight's contractual obligations and commitments, other than bank debt as disclosed in note 7 and convertible debentures as disclosed in note 9, as at December 31, 2007:

	2008	2009	2010	2011	2012	Thereafter
Capital Lease	\$ 1,007	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Leases	9,893	3,786	2,732	1,571	1,264	6,156
Natural gas transportation	988	532	188	160	44	-
	\$ 11,888	\$ 4,318	\$ 2,920	\$ 1,731	\$ 1,308	\$ 6,156

Included in operating leases are obligations related to office space, office equipment and a drilling rig contract. Daylight has entered into an agreement with a third party whereby commitments under a certain drilling rig contract, included in the 2008 obligation of \$9.9 million, have been assumed by the third party for 2008 totalling \$1.6 million.

In addition to the above, the Trust has commitments related to its risk management program (see note 15).

CORPORATE INFORMATION

Board of Directors

Fred Woods ^{(2) (4) (5)}

Chairman

Daylight Energy Ltd.

President and Chief Executive Officer

Midnight Oil Exploration Ltd.

Calgary, Alberta

Anthony Lambert

President and Chief Executive Officer

Daylight Energy Ltd.

Calgary, Alberta

Dennis Chorney ^{(1) (2) (3) (5)}

Independent Businessman

Calgary, Alberta

Rick Orman ^{(1) (3) (4) (5)}

Chief Executive Officer

NOR Energy AS

Calgary, Alberta

Jeff Tonken ^{(1) (2) (3) (4)}

President and Chief Executive Officer

Birchcliff Energy Ltd.

Calgary, Alberta

David Tuer ^{(1) (3) (4) (5)}

Chairman

Calgary Health Region

Calgary, Alberta

Graham Wilson ^{(1) (2) (4)}

Independent Businessman

Vancouver, BC

Officers

Anthony Lambert

President and Chief Executive Officer

Steve Nielsen

Chief Financial Officer

Ted Hanbury

Executive Vice President

Brent Eshleman

Vice President, Engineering and Exploitation

Randy Ford

Vice President, Operations

Steve Horner

Vice President, Business Services

Dale Mennis

Vice President, Business Development

Jerry Simpson

Vice President, Production

Chris von Vegesack

Corporate Secretary,

Burnet, Duckworth & Palmer LLP

Bankers

Canadian Imperial Bank of Commerce

Bank of Nova Scotia

National Bank of Canada

BNP Paribas

Alberta Treasury Branches

Legal Counsel

Burnet, Duckworth & Palmer LLP

Calgary, Alberta

Auditors

KPMG LLP

Chartered Accountants

Calgary, Alberta

Evaluation Engineers

GLJ Petroleum Consultants Ltd.

Calgary, Alberta

Registrar and Transfer Agent

Valiant Trust Company

Calgary, Alberta

Stock Exchange Listing

The Toronto Stock Exchange

Trading Symbols: DAY.UN, DAY.DB, DAY.DB.B

Investor Relations

ir@daylightenergy.ca

www.daylightenergy.ca



Sun Life Plaza, West Tower

Suite 2100, 144 – 4th Avenue SW

Calgary, Alberta T2P 3N4

Phone: (403) 266-6900

Fax: (403) 266-6988

Toll Free: 1 (877) 266-6901

www.daylightenergy.ca

Abbreviations

/d	per day
bbl(s)	barrel(s)
mbbls	thousand barrels
mmmbbls	million barrels
mcf	thousand cubic feet
mmcf	million cubic feet
bcf	billion cubic feet
boe	barrels of oil equivalent
mmboe	million barrels of oil equivalent
mmstb	million stock tank barrels of oil
ARTC	Alberta Royalty Tax Credit
Cdn	Canadian
NGLs	natural gas liquids
WTI	West Texas Intermediate crude oil
US	United States

Members of the following Committees:

1 Audit

2 Reserves

3 Compensation

4 Corporate Governance

5 Environment Health and Safety



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Suite 2100, 144 – 4th Avenue SW
Calgary, Alberta T2P 3N4
Phone: (403) 266-6900
Fax: (403) 266-6988
Toll Free: 1 (877) 266-6901
www.daylightenergy.ca**